

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

Shree Khodiyar Kupar LLC,

Appellant,

v.

Case Number: C0195198

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 there is sufficient evidence to support a six-month disqualification of Shree Khodiyar Kupar LLC (hereinafter Appellant), from participation as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP) as initially imposed by the Retailer Operations Division.

ISSUE

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with Title 7 Code of Federal Regulations (CFR) Part 278 in its administration of the SNAP, when it imposed a six-month disqualification against Appellant.

AUTHORITY

7 U.S.C. § 2023 and the implementing regulations at 7 CFR § 279.1 provides 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

The USDA conducted an investigation of the compliance of Shree Khodiyar Kupar LLC, with Federal SNAP law and regulations from March 21, 2017 through July 25, 2017. In a letter dated September 5, 2017, Retailer Operations Division charged the Appellant firm with accepting SNAP benefits in exchange for merchandise which included major non-food items in violation of 7 CFR § 278.2(a). These SNAP violations occurred on seven (7) out of seven (7) compliance visits. The letter further informed the Appellant that the violations warranted a disqualification period of six months as provided in 7 CFR § 278.6(e)(5).

In correspondence dated September 13, 2017, Appellant replied to the charge letter and generally stated that the misuse was due to employee error. This employee had no intention or intent of violating SNAP regulation or profiting from the transactions. All employees have been notified of the error and have been retrained not to make any mistakes on processing SNAP transactions.

Appellant stated that it requests other remedies for the violation other than the six month disqualification. SNAP plays a key role in generating income for the business and without the option of offering SNAP to customers for six months the business will lose customers and the income will decrease. The disqualification will affect employee's jobs and income as we will have less customers and income to pay the employees.

After reviewing the evidence and the response from the Appellant, Retailer Operations Division issued a determination letter dated May 8, 2018. The determination letter informed the Appellant it was disqualified from the SNAP for a period of six months in accordance with 7 CFR § 278.6(a) and (e). The determination letter also stated that Retailer Operations Division considered Appellant's eligibility for a hardship CMP under 7 CFR § 278.6(f)(1). Retailer Operations Division determined that the Appellant was not eligible for the hardship CMP in lieu of the six-month disqualification because there were other authorized retail stores in the area selling as large a variety of staple foods at comparable prices.

In a letter postmarked May 16, 2018, the Appellant requested an administrative review of the Retailer Operations Division's determination. The appeal was accepted and the implementation of the six-month disqualification was held in abeyance pending completion of this 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, 7 U.S.C. § 2021, and promulgated through regulation under Title 7 CFR Part 278. In particular, 7 CFR § 278.6(a) and (e) establish the authority upon which a period of disqualification may be imposed against a retail food store or wholesale food concern.

7 CFR § 278.2(a) states, inter alia: "Coupons may be accepted by an authorized retail food store only from eligible households.... Only in exchange for eligible food"

7 CFR § 271.2 states, inter alia: "Eligible food means: Any food or food product intended for human consumption except alcoholic beverages, tobacco and hot food and hot food products prepared for immediate consumption"

7 CFR § 278.6(a) states, inter alia: “FNS may disqualify any authorized retail food store... if the firm fails to comply with the Food and Nutrition Act of 1977, 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...”

7 CFR § 278.6(e)(5) states, inter alia: “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(f)(1) states, inter alia: “FNS may impose a civil money penalty as a sanction in lieu of when... the firm’s disqualification would cause hardship to Food Stamp [SNAP] 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.”

APPELLANT’S CONTENTIONS

The Appellant made the following summarized contentions in its request for administrative review, in relevant part:

1. The misuse was due to an employee error. The employee had no intention or intent of violating SNAP regulations or profiting from the transactions.
2. All employees have been notified of the error and have been retrained not to make any mistakes on processing SNAP transactions.
3. Without the option of offering SNAP my business will lose customers and income will decrease. The disqualification will affect employee’s jobs and income as we will have less customers and income to pay the employees.
4. We have taken strenuous steps to ensure that each of our employees is fully trained with both cash registers and with USDA guidelines for the SNAP. We have implemented our own adverse action protocol.

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

ANALYSIS AND FINDINGS

FNS initially authorized Shree Khodiyar Kuper LLC as a convenience store on September 22, 2014. During an investigation from March 21, 2017 through July 25, 2017, the USDA conducted seven (7) compliance visits at Appellant’s store. A report of the investigation was provided to the Appellant as an attachment to the charge letter dated September 5, 2017. The investigation report included Exhibits A through G which provide full details on the results of each compliance visit. The investigation report documents that SNAP violations were committed during seven (7) of the seven (7) compliance visits and involved the sale of one (1)

24 count of Hy-Top heavy duty spoons, one (1) 9 pack of member's Mark bath tissue, one (2) 60 count pack of Hefty soak proof plates, three (3) bars of Irish Spring soap, one (1) 40 ounce container of Tide liquid detergent, one (1) 24 count of parade heavy duty spoons, one (1) 5.8 ounce tube of Colgate toothpaste, three (3) 9 packs of Angel Soft toilet paper, one (1) 45 count pack of hefty every day soak proof plates, two (2) 160 count boxes of Marque Mouchoirs Kleenex tissues, one (1) box of Crest toothpaste, one (1) 26 count pack of 26 ounce Dixie paper bowls, one (1) Red, White and Blue finger spinner, one (1) 3.17 ounce bar of Dove soap, one (1) bottle of Pantene shampoo, one (1) Blue and White hand spinner, one (1) 20 count box of Glad plastic zipper bags. In its review request, Appellant did not refute the sale of common ineligible items during the investigation.

With regard to Appellant's contentions, they cannot be accepted as valid bases for dismissing any of the charges, or for mitigating the impact of those charges. As owner of the store, Appellant is liable for all violative transactions handled by either paid or unpaid store personnel. 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. To allow store ownership to disclaim accountability for the acts of persons whom the ownership chooses to utilize to handle store business would render virtually meaningless the enforcement provisions of the Food Stamp Act and the enforcement efforts of the USDA.

It is noted that FNS may send a warning letter in lieu of a disqualification only under specific circumstances. SNAP regulations at 7 CFR §278.6(e)(7) states that FNS should "send the firm a warning letter if violations are too limited to warrant a disqualification." Further Agency guidance to the regulations states to "send the firm a warning letter if the investigation discloses only one or two sales of common ineligible items." As previously noted, the investigation report documents the exchange of 23 common and major ineligible items during seven visits. Therefore, under agency guidelines, these violations do not meet the definition of "violations that are too limited to warrant a disqualification" and are evidence of carelessness on the part of ownership or management.

Additionally, it is important to clarify for the record that the purpose of this review is to determine if the earlier decision of the Retailer Operations Division, to disqualify Appellant from participation in the SNAP for a period of six months, was in fact a correct one. It is not within the scope of this review to consider what subsequent actions Appellant may have taken so that its store may begin to comply with program requirements.

CIVIL MONEY PENALTY

The Appellant contends that without the option of offering SNAP the business will lose customers and income will decrease. With regard to this contention, SNAP regulations do not provide for consideration of the possible adverse impact of a firm's ability to attract customers. The Retailer Operations Division considered Appellant's eligibility for a hardship CMP under 7 CFR §278.6(f)(1). The Retailer Operations Division determined that the Appellant was not eligible for the hardship CMP in lieu of the six-month disqualification because there were at least nine (9) other SNAP authorized retail stores, within a one-mile radius of Appellant,

including six (6) other convenience store, one (1) supermarket and two (2) superstores selling as large a variety of staple foods at comparable prices.

CONCLUSION

The documentation presented by Retailer Operations Division provides through a preponderance of the evidence that the violations as reported occurred at the Appellant firm. 7 CFR § 278.6(e)(5) specifies that FNS shall “disqualify the firm for six 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.

The violations were determined by Retailer Operations Division to represent the first sanction for the firm and evidence carelessness and poor supervision. Therefore, the imposition of a six-month disqualification, the least severe penalty allowed by regulation, is appropriate.

It is therefore established that the violations as described in the letter of charges did in fact occur at the Appellant firm warranting a disqualification of six months in accordance with 7 CFR § 278.6(e)(5). Based on the discussion herein, the decision to impose a six-month disqualification against Shree Khodiyar Kuper LLC is appropriate and the action is sustained. In accordance with the Act and regulations, the six-month period of disqualification shall become effective thirty (30) days after receipt of this letter. The Appellant may submit a new application for SNAP participation ten (10) days prior to the expiration of the six-month disqualification period.

RIGHTS AND REMEDIES

Your attention is called to Section 14 of the Food and Nutrition Act of 2008, as amended, (7 U.S.C. § 2023) and to Title 7, Code of Federal Regulations, Part 279.7 (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 (FOIA), 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.

Monique Brooks
Administrative Review Officer

August 22, 2018