

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

Vaughan Quick Stop,

Appellant,

v.

Case Number: C0205823

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 impose a permanent disqualification against Vaughan Quick Stop (hereinafter Appellant) from participating as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP).

ISSUE

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with Title 7 of the Code of Federal Regulations (CFR) § 278.6(a), (c) and (e)(1)(i), in its administration of the SNAP when it imposed a permanent disqualification against Appellant on September 23, 2019.

AUTHORITY

According to 7 U.S.C. § 2023 and the 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

USDA conducted an investigation of the compliance of Appellant with federal SNAP law and regulations during the period April 26, 2018, through May 10, 2019. The investigation determined that personnel at the Appellant firm accepted 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in SNAP benefits in exchange for 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in cash (trafficking) and 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in SNAP benefits in exchange for 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in cash (trafficking) on two separate occasions as noted in the letter of charges. These transactions were deemed clearly violative and warrant a permanent disqualification. Additionally, the investigation determined that personnel at the firm accepted

SNAP benefits in exchange for ineligible merchandise on five occasions. The items sold are best described in regulatory terms as common nonfood items such as toilet paper, plastic cutlery, paper towels, bar soap, and trash bags. The firm also exchanged SNAP benefits in exchange for cigarettes on two separate occasions (Exhibits D and E). The investigative report indicates that these violative transactions were handled by the two different clerks.

As a result of evidence compiled from this investigation, the Retailer Operations Division informed Appellant, in a letter dated September 4, 2019, that the firm was charged with violating the terms and conditions of the SNAP regulations, 7 CFR § 278.6(e)(1). The letter of charges states, in relevant part, “As provided by Section 278.6(e)(1) of the SNAP regulations, the sanction for trafficking . . . is permanent disqualification.” The letter also states that “under certain conditions, FNS may impose a civil money penalty (CMP) . . . in lieu of a permanent disqualification of a firm for trafficking.”

Appellant did not respond to the charge letter nor did it request a CMP in lieu of permanent disqualification or include evidence in support of a CMP within the specified timeframe. After giving consideration to the evidence, the Retailer Operations Division notified Appellant in a letter dated September 23, 2019, that the firm was permanently disqualified from participation as an authorized retailer in SNAP in accordance with Section 278.6(c) and 278.6(e)(1) for trafficking violations. This determination letter also states that Appellant’s eligibility for a trafficking CMP according to the terms of Section 278.6(i) of the SNAP regulations was considered. However, the letter stated “. . . you are not eligible for the CMP because you failed to submit sufficient evidence to demonstrate that your firm had established and implemented an effective compliance policy and program to prevent violations of the Supplemental Nutrition Assistance Program.”

By letter dated September 27, 2019, Appellant, through counsel, appealed the Retailer Operations Division’s decision and requested an administrative review of this action. The appeal was granted. Subsequent correspondence was received.

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 Section 278. In particular, Sections 278.6(a) and Part 278.6(e)(1)(i) establish the authority upon which a permanent disqualification may be imposed against a retail food store or wholesale food concern in the event that personnel of the firm have engaged in trafficking of SNAP benefits.

7 CFR § 271.2 states that: Eligible foods 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 § 278.2(a) states that: Coupons [SNAP benefits] may be accepted by an authorized retail food store only from eligible households, and only in exchange for eligible food. Further, the citation specifies that coupons may not be accepted in exchange for cash, in payment of interest on loans, or for any other nonfood use.

7 CFR § 278.6(a) states that: FNS may disqualify any authorized retail food store . . . if the firm fails to comply with the Food and 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.

7 CFR § 278.6(e)(1)(i) reads, in part, “FNS shall . . . [d]isqualify a firm permanently if . . . personnel of the firm have trafficked as defined in § 271.2.” Trafficking is defined, in part, in 7 CFR § 271.2, as, “The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits . . . for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone . . .” Trafficking is further defined, in 7 CFR § 271.2, to include “(5) Intentionally purchasing products originally purchased with SNAP benefits in exchange for cash or consideration other than eligible food.”

7 CFR § 278.6(f)(1) states in relevant 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. A civil money penalty for hardship to SNAP households may not be imposed in lieu of a permanent disqualification.”

7 CFR § 278.6(i) states, inter alia: “FNS may impose a civil money penalty in lieu of a permanent disqualification for trafficking . . . if the firm timely submits to FNS substantial evidence which demonstrates that the firm had established and implemented an effective compliance policy and program to prevent violations of the Program.”

7 CFR § 278.6(b)(2)(ii) states, inter alia: “Firms that request consideration of a civil money penalty in lieu of a permanent disqualification for trafficking shall have the opportunity to submit to FNS information and evidence . . . that establishes the firm’s eligibility for a civil money penalty in lieu of a permanent disqualification in accordance with the criteria included in § 278.6(i). This information and evidence shall be submitted within 10 days, as specified in § 278.6(b)(1).” Part 278.6(b)(2)(ii) further states that if a firm fails to request consideration for a civil money penalty in lieu of a permanent disqualification for trafficking and submit documentation and evidence of its eligibility within the 10 days specified in Part 278.6(b)(1), the firm shall not be eligible for such a penalty.

In addition, 7 CFR § 278.6(i)(2) states in relevant part, “As specified in Criterion 3 above, in determining whether a firm has established an effective policy to prevent violations, FNS shall consider written and dated statements of firm policy which reflect a commitment to ensure that the firm is operated in a manner consistent with this part 278 of current FNS regulations and

current FSP policy on the proper acceptance and handling of food coupons.” This section goes on to state, “As required by Criterion 2, such policy statements shall be considered only if documentation is supplied which establishes that the policy statements were provided to the violating employee(s) prior to the commission of the violation.” This section further states, “A firm which seeks a civil money penalty in lieu of permanent disqualification shall document its training activity by submitting to FNS its dated training curricula and records of dates training sessions were conducted . . .”

APPELLANT’S CONTENTIONS

The following may represent a summary of Appellant’s contentions 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 herein:

- The charge letter was received by an employee who speaks and reads very little English and who set the letter aside as the owner was out of the country. The determination letter was received by the same employee who recognized that it was something serious and it was brought to counsel by an associate of the owner. The owner did not become aware of the issue until the determination letter was received which was well after the deadline for filing a response. It would be unfair to penalize the owner with permanent disqualification from SNAP since he has had no prior SNAP violations;
- The owner has complied at all times with SNAP federal regulations and rules. He is the store’s primary employee, but has had assistance when he could not be at the store. He always advised and told each temporary employee to comply specifically with all rules set forth in CFR Section 271 and those programs dealing with SNAP regulations. Two years ago the owner hired a part-time employee that he had known for approximately nine years from working at other stores and specifically told him that all rules, regulations, and requirements for SNAP redemptions should be strictly followed and that there should be no exchange of SNAP benefits for cash or other consideration other than eligible food because it could jeopardize the store;
- The owner had to leave in February 2019 to assist his family overseas and left this employee in charge of the store’s daily operations. He did not anticipate any problems since this employee had been personally directed by the owner to comply with all rules and regulations and had not had any problems. It is the owner’s understanding that this employee was the one who purportedly exchanged SNAP benefits for cash or consideration other than eligible food. After learning of the purported SNAP violations, the owner contacted his attorney who requested administrative review. The owner returned in early November 2019 because of this issue and had no prior knowledge or notice of the USDA letters prior to September 27, 2019, and therefore was unable to reply to the charges. He discharged the employee upon his return and hired a new employee;
- The owner was not present at the time of the alleged offenses and regrets the incidents in Exhibits F and G related to the purchase of EBT cards at a reduced rate. He has always had an effective SNAP compliance policy and advised his employees at least quarterly that there should be no violations of SNAP. He also has posted a notice at the store that there will be no unlawful redemption of SNAP benefits and that anyone violating this

will be reported to the USDA. The owner was not aware of, did not approve, did not benefit from, and was not in any way involved in the conduct or approval of trafficking. This is the first time that any member of management was aware of any trafficking violations and the owner is having the transactions audited to see if the EBT cards were turned into the business. If they were, he will gladly repay any inappropriate amounts received;

- The owner understands that he has the ultimate responsibility for compliance with SNAP rules and regulations, but he did not condone these actions, did not participate in them, and took actions to remedy the responsible employee's employment. A CMP is requested because the violative conduct was unknown to the owner. The owner was unable to take appropriate and timely action due to the employee who received the letters being able to read very little English and therefore he requests to be allowed to pay the proposed CMP of \$6,240.00 in lieu of permanent disqualification; and,
- It is also requested that any order relating to WIC be rescinded immediately. This was a serious offense, but one that occurred without the knowledge of the owner and in derogation of the instructions and directions given to his employees. This was also the first offense and some consideration and accommodation would be appreciated.

Appellant submitted a signed affidavit by the owner, a copy of the owner's flight itinerary for his return flight, a copy of the owner's passport, and a copy of a handmade sign prohibiting trafficking in support of these contentions.

ANALYSIS AND FINDINGS

It is important to clarify for the record that the purpose of this review is to either validate or to invalidate the earlier decision of the Retailer Operations Division and is limited to what circumstances were at the basis of the Retailer Operations Division action at the time such action was made. In this case, store ownership has not denied that store employees conducted violative transactions that included the trafficking of SNAP benefits. The Report of Investigation clearly shows the exchange of 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in SNAP benefits for 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in cash in Exhibit F and the exchange of 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in SNAP benefits for 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in cash in Exhibit G as well as the exchange of SNAP benefits for ineligible items in Exhibits A, B, C, D, and E.

While store ownership may not have personally conducted the violative transactions, SNAP rules and regulations state that regardless of whom the ownership of a store may utilize to handle store business or their degree of involvement in store operations, that ownership is accountable for the proper training of staff and the monitoring and handling of all SNAP benefit transactions. Both the SNAP retailer application and retailer reauthorization application contain a certification page whereby applicants must confirm their understanding of and agreement with SNAP retailer requirements in order to complete the application/ reauthorization process. Store ownership did certify its understanding and agreement to abide by program rules and regulatory provisions when it initially applied to become a SNAP retailer. The ownership remains liable for all violative transactions handled by store personnel, whether paid or unpaid, new, full-time or part-time regardless of the amount of time the owner(s) is present at the subject firm.

The FNS investigative report shows that two employees of the Appellant firm transacted SNAP benefits for ineligible items on five occasions and for cash on two separate occasions indicating an ongoing pattern of SNAP violations. The transactions from the investigative report have been matched to SNAP transactions posted by the firm on the dates in question with no disagreements and a review of the investigative report shows no errors or discrepancies. There is no evidence of involvement by the firm's ownership or management. The acceptance of SNAP benefits for ineligible items or for cash are both violations of SNAP rules and regulations with the penalty for trafficking being permanent disqualification. There is no regulatory threshold for the exchange of SNAP benefits for cash or for the dollar value of the ineligible items purchased and store ownership does not dispute that violations occurred or that SNAP benefits were exchanged for cash and ineligible merchandise. Additionally, it is highly improbable, based on the willingness of the firm's employees to exchange SNAP benefits for ineligible nonfood items and for cash, that the only instances of SNAP violations were those identified as part of the FNS undercover investigation. Common sense dictates that their actions more likely than not represented an ongoing pattern of SNAP violations at the Appellant firm.

Regarding Appellant's contentions, the two clerks exchanged SNAP benefits for a variety of ineligible items, including cigarettes, thereby unquestionably demonstrating that store ownership had failed in its responsibility to properly train and oversee store employees. Contrary to Appellant's claim that the same employee received both the charge letter and the determination letter, UPS records show that an individual named 5 U.S.C. § 552 (b)(6) & (b)(7)(C) signed for the charge letter and for the FNS administrative review acknowledgement letter received on November 11, 2019, well after the store owner's return, while an individual named 5 U.S.C. § 552 (b)(6) & (b)(7)(C) signed for the determination letter. Additionally, while the investigative report shows that two clerks were involved in violative transactions and that both spoke with accents, it makes no mention of either employee having any difficulty speaking or understanding English and actually includes comments made by both employees in English to the USDA investigator during the violative transactions. Both trafficking transactions were made by SNAP transactions processed through the store's POS terminal and no SNAP EBT cards were purchased by store employees as store ownership mistakenly claimed in his affidavit.

The Food and Nutrition Act of 2008, as amended, and the regulations issued pursuant thereto do not cite any minimum dollar amount of cash or SNAP benefits, or number of occurrences, for such exchanges to be defined as trafficking. Nor do they cite any degrees of seriousness pertaining to trafficking of SNAP benefits. Trafficking is always considered to be the most serious violation, even when the exchange of SNAP benefits for cash is dollar-for-dollar or is conducted by a non-managerial store clerk. This is reflected in the Food and Nutrition Act, which reads, in part, that disqualification "shall be permanent upon . . . the first occasion of a disqualification based on . . . trafficking . . . by a retail food store." In keeping with this legislative mandate, Section 278.6(e)(1)(i) of the SNAP regulations states that FNS shall disqualify a firm permanently if personnel of the firm have trafficked. There is no agency discretion in the matter of what sanction is to be imposed when trafficking is involved and second chances are not an authorized option.

Based on the discussion above, there is not any valid basis for dismissing the charges or for mitigating the penalty imposed.

CIVIL MONEY PENALTY

A CMP for hardship to SNAP households may not be imposed in lieu of a permanent disqualification as specified in SNAP regulations at 7 CFR § 278.6(f). Trafficking is a permanent disqualification so Appellant is not eligible for a hardship CMP.

The Retailer Operations Division determined that the Appellant was not eligible for a trafficking CMP in lieu of a disqualification under 7 CFR § 278.6(i) because Appellant failed to submit sufficient evidence to demonstrate that the firm had established and implemented an effective compliance policy and program to prevent SNAP violations within the specified timeframe. As such, the Retailer Operations Division determined that Appellant was not eligible for a trafficking CMP in lieu of permanent disqualification.

SNAP regulations are explicit in what constitutes substantial evidence. Specifically, 7 CFR § 278.6(i)(2) states in relevant part, “As specified in Criterion 3 above, in determining whether a firm has established an effective policy to prevent violations, FNS shall consider written and dated statements of firm policy which reflect a commitment to ensure that the firm is operated in a manner consistent with part 278 of current FNS regulations and current FSP policy on the proper acceptance and handling of food coupons.” This section goes on to state, “As required by Criterion 2, such policy statements shall be considered only if documentation is supplied which establishes that the policy statements were provided to the violating employee(s) prior to the commission of the violation.” This section further states, “A firm which seeks a civil money penalty in lieu of permanent disqualification shall document its training activity by submitting to FNS its dated training curricula and records of dates training sessions were conducted...”

Appellant did not request or submit evidence in support of a trafficking CMP within the specified timeframe, but did request a CMP in its request for administrative review. Appellant did not submit a copy of the firm’s SNAP compliance policy and program, any dated training curricula, or any records of training sessions for the owner or his employees. Therefore, Appellant failed to meet the regulatory standard for a trafficking CMP as it did not provide substantial evidence that it met all four criteria required by 7 CFR §278.6(i). Based on the above, the Retailer Operations Division’s decision not to impose a CMP in lieu of disqualification is sustained as appropriate pursuant to 7 CFR §278.6(i).

CONCLUSION

A review of the evidence in this case supports that the program violations at issue did occur as charged and as admitted to by Appellant. As noted previously, the charges of violations are based on the findings of a formal USDA investigation. All transactions cited in the letter of charges were conducted by a USDA investigator, signed under penalty of perjury, and all are thoroughly documented. A review of this documentation has yielded no indication of error or discrepancy in any of the reported findings. Rather, the investigative record is specific and accurate with regard to the dates of the violations, the specific exchange of SNAP benefits for

cash, and in all other critically pertinent detail. Additionally, the decision by the Retailer Operations Division that Appellant was not eligible for a trafficking CMP is also found to be correct.

Based on the discussion above, the determination by the Retailer Operations Division to impose a permanent disqualification against the Appellant business from participating as an authorized retailer in 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 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 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.

ROBERT T. DEEGAN
ADMINISTRATIVE REVIEW OFFICER

January 15, 2020