

**STATE OF MICHIGAN
MICHIGAN ADMINISTRATIVE HEARING SYSTEM
ADMINISTRATIVE HEARINGS FOR THE
DEPARTMENT OF HUMAN SERVICES**

IN THE MATTER OF:



Reg. No.: 201261600
Issue No.: 3052
Case No.: [REDACTED]
Hearing Date: August 22, 2012
County: Wayne (15)

ADMINISTRATIVE LAW JUDGE: Alice C. Elkin

HEARING DECISION FOR INTENTIONAL PROGRAM VIOLATION

This matter is before the undersigned Administrative Law Judge pursuant to MCL 400.9 and MCL 400.37 upon the Department of Human Services' (Department) request for a hearing. After due notice, a telephone hearing was held on August 22, 2012, from Detroit, Michigan. The Department was represented by [REDACTED], Regulation Agent of the Office of Inspector General (OIG).

- Participants on behalf of Respondent included: .
- Respondent did not appear at the hearing and it was held in Respondent's absence pursuant to 7 CFR 273.16(e), Mich Admin Code R 400.3130(5), or Mich Admin Code R 400.3187(5).

ISSUES

1. Did Respondent receive an overissuance (OI) of
 Family Independence Program (FIP) Food Assistance Program (FAP)
 State Disability Assistance (SDA) Child Development and Care (CDC)
 Medical Assistance (MA)
benefits that the Department is entitled to recoup?
2. Did Respondent commit an Intentional Program Violation (IPV)?
3. Should Respondent be disqualified from receiving
 Family Independence Program (FIP) Food Assistance Program (FAP)

State Disability Assistance (SDA) Child Development and Care (CDC)?

FINDINGS OF FACT

The Administrative Law Judge, based on the competent, material, and substantial evidence on the whole record, finds as material fact:

1. The Department's OIG filed a hearing request on June 25, 2012 to establish an OI of benefits received by Respondent as a result of Respondent having allegedly committed an IPV.
2. The OIG has has not requested that Respondent be disqualified from receiving program benefits.
3. Respondent was a recipient of FIP FAP SDA CDC MA benefits during the period of November 2010, through March 2012.
4. Respondent was was not aware that trafficking of benefits is unlawful and a violation of policy and could result in a disqualification from receipt of future benefits and recoupment of issued benefits.
5. Respondent had no apparent physical or mental impairment that would limit the understanding or ability to fulfill this requirement.
6. The Department's OIG indicates that the time period they are considering the fraud period is November 2010 through February 2012.
7. The Department alleges that during the alleged fraud period Respondent trafficked \$3550.85 in FAP benefits issued by the State of Michigan.
8. The OIG alleges that Respondent was entitled to \$0 in FIP FAP SDA CDC MA during this time period.
9. Respondent did did not receive an OI in the amount of \$3550.85 under the FIP FAP SDA CDC MA program.
10. The Department has has not established that Respondent committed an IPV.
11. A notice of hearing was mailed to Respondent at the last known address and was was not returned by the US Post Office as undeliverable.

CONCLUSIONS OF LAW

Department policies are contained in the Bridges Administrative Manual (BAM), the Bridges Eligibility Manual (BEM), and the Reference Tables Manual (RFT). Prior to August 1, 2008, Department policies were contained in the Department of Human

Services Program Administrative Manuals (PAM), Program Eligibility Manual (PEM), and Program Reference Tables (PRT).

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The Family Independence Program (FIP) was established pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193, 42 USC 601, *et seq.* The Department (formerly known as the Family Independence Agency) administers FIP pursuant to MCL 400.10, *et seq.*, and Mich Admin Code, R 400.3101 through R 400.3131. FIP replaced the Aid to Dependent Children (ADC) program effective October 1, 1996.

The Food Assistance Program (FAP) [formerly known as the Food Stamp (FS) program] is established by the Food Stamp Act of 1977, as amended, and is implemented by the federal regulations contained in Title 7 of the Code of Federal Regulations (CFR). The Department (formerly known as the Family Independence Agency) administers FAP pursuant to MCL 400.10, *et seq.*, and Mich Admin Code, R 400.3001 through R 400.3015.

The State Disability Assistance (SDA) program, which provides financial assistance for disabled persons, is established by 2004 PA 344. The Department of Human Services (formerly known as the Family Independence Agency) administers the SDA program pursuant to MCL 400.10, *et seq.*, and Mich Admin Code, R 400.3151 through R 400.3180.

The Child Development and Care (CDC) program is established by Titles IVA, IVE and XX of the Social Security Act, the Child Care and Development Block Grant of 1990, and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The program is implemented by Title 45 of the Code of Federal Regulations, Parts 98 and 99. The Department provides services to adults and children pursuant to MCL 400.14(1) and Mich Admin Code, R 400.5001 through R 400.5015.

The Medical Assistance (MA) program is established by the Title XIX of the Social Security Act and is implemented by Title 42 of the Code of Federal Regulations (CFR). The Department of Human Services (formerly known as the Family Independence Agency) administers the MA program pursuant to MCL 400.10, *et seq.*, and MCL 400.105.

The Department's OIG requests IPV hearings for cases when:

- benefit overissuances are not forwarded to the prosecutor,
- prosecution of welfare fraud is declined by the prosecutor for a reason other than lack of evidence, and

- the total overissuance amount is \$1000 or more, or
- the total overissuance amount is less than \$1000, and
 - the group has a previous intentional program violation, or
 - the alleged IPV involves FAP trafficking, or
 - the alleged fraud involves concurrent receipt of assistance,
 - the alleged fraud is committed by a state/government employee. [BEM 720 (August 1, 2012), p 10.]

Intentional Program Violation

Suspected IPV means an overissuance (OI) exists for which all three of the following conditions exist:

- The client **intentionally** failed to report information **or intentionally** gave incomplete or inaccurate information needed to make a correct benefit determination, **and**
- The client was clearly and correctly instructed regarding his or her reporting responsibilities, **and**
- The client has no apparent physical or mental impairment that limits his or her understanding or ability to fulfill their reporting responsibilities. [BAM 720, p 1 (emphasis in original).]

An IPV is also suspected for a client who is alleged to have trafficked FAP benefits. BAM 720, p 1.

The Department must establish an IPV by clear and convincing evidence. BAM 720, p 1. Clear and convincing evidence is evidence sufficient to result in a clear and firm belief that the proposition is true. See M Civ JI 8.01.

In this case, the Department alleges that Respondent trafficked her FAP benefits at [REDACTED] (Noor"). Trafficking is the buying or selling of FAP benefits for cash or consideration other than eligible food. Department of Human Services, Bridges Policy Glossary (BPG) (April 1, 2012), p 45. Trafficking also includes (i) fraudulently using, transferring, altering, acquiring, or possessing coupons, authorization cards, or access devices, or (ii) redeeming or presenting for payment coupons known to be fraudulently obtained or transferred. BEM 203 (October 1, 2011), p 2. The Department has also referenced the definitions of trafficking from MCL 750.300a of the Michigan Penal Code and from 7 CFR § 273.16(c)(2) (2012). While the definition of trafficking from a criminal statute is not appropriate in an administrative hearing, it is noted that the definitions provided in both MCL 750.300a and 7 CFR § 273.16(c)(2) are similar to those in BEM 203 and in the BPG. Further, the issue in this case is not whether the definition of trafficking in the Department policy is broad enough to encompass Respondent's alleged activities. Rather, the issue is whether clear and convincing evidence established the allegations brought by the Department against Respondent.

In support of its allegation that Respondent trafficked her FAP benefits at [REDACTED], the Department relied on (i) the criminal trafficking investigation and resulting complaint against [REDACTED] (ii) the admissions of trafficking made by [REDACTED]'s owner and unnamed customers, and (iii) Respondent's transaction history at [REDACTED]

The Department presented evidence that an investigation of [REDACTED] by the United States Department of Agriculture (USDA) and federal Office of Inspector General concluded that [REDACTED] was trafficking benefits, resulting in a pending criminal complaint against [REDACTED] owner in federal court. As of the date of this hearing, the criminal matter involving [REDACTED] was unresolved. Thus, while there are allegations that [REDACTED] trafficked benefits, there has been no confirmation of that fact. Accordingly, it is inappropriate to base any allegations that Respondent trafficked her FAP benefits at [REDACTED] on the fact that [REDACTED] is an establishment where FAP benefits were trafficked.

At the hearing, the Department also presented evidence that, during the course of the investigation against [REDACTED], the owner of [REDACTED] admitted that he was involved in trafficking FAP benefits. There was also testimony that former [REDACTED] customers had admitted that they had trafficked FAP benefits at [REDACTED]. Statements made by others offered into evidence to prove the truth of the matter asserted are hearsay and are generally inadmissible in a trial or hearing. MRE 801; MRE 802. Administrative hearings are subject to the same rules used in circuit court to the extent these rules are practical in the case being heard although an administrative law judge may be more lenient in deciding what evidence may be presented. BAM 600 (August 1, 2012), p 28. In this case, statements by [REDACTED] owner and former customers regarding trafficking activity at [REDACTED] are hearsay and have limited, if any, evidentiary value. This is especially true in this case where evidence that third parties may have engaged in trafficking at [REDACTED] is not dispositive of whether Respondent engaged in trafficking, particularly where no one identified Respondent as having trafficked her FAP benefits at [REDACTED] and Respondent has not admitted she trafficked her FAP benefits at [REDACTED]

The only remaining evidence presented by the Department to establish Respondent's trafficking was her FAP transaction history at [REDACTED]. The Department contended that Respondent's \$3550.85 in FAP transactions at [REDACTED] between October 2011 and February 2012 were not supported by the stock of eligible food items sold at [REDACTED]. Respondent received between \$526 and \$634 in monthly FAP benefits during the relevant period at issue. A review of Respondent's transaction history at [REDACTED] shows a number of unusual transactions in Respondent's food history that involve two or more transactions on a single day, each within a few minutes of the others. These include the following: (i) two transactions on November 8, 2010, one at 4:10 pm for \$143.45 and one at 4:11 for \$143.69, (ii) two transactions on December 8, 2010, one at 4:46 pm for \$195.08 and one at 4:53 for \$198.40, (iii) two transactions on January 10, 2011, one at 4:23 pm for \$195.44 and the other at 4:25 pm for \$199.23; (iv) two transactions on February 11, 2011, one at 3:55 pm for \$175.22 and the other at 3:57 pm for \$175.42; (v) two transactions on March 11, 2011, both at 3:47 pm, one for \$145.44 and the other for \$229.56, (vi) three transactions on April 12, 2011, one at 3:47pm for \$8.66, one at 3:51 pm for \$65.12, and one at 3:59 pm for \$130.99, (vii) two transactions on December 15,

2011, one at 4:11 pm for \$60.70 and the other at 4:15 pm for \$129.97; (vii) two transactions on January 16, 2012, one at 2:55 pm for \$151.53 and the other at 2:59 pm for \$7.49; (viii) two transactions on February 16, 2012, one at 7:04 pm for \$45.72 and the other at 7:05 pm for \$169.33.

The foregoing transactions are admittedly suspicious. However, clients may use their FAP benefits at any authorized establishment for eligible food purchases. BAM 401E (December 1, 2011), p 7; BEM 100 (June 1, 2012), p 2. There was no evidence in the present hearing that Respondent used her FAP benefits at an unauthorized establishment or that Respondent's purchases at [REDACTED] were not legitimate food purchases. Further, to establish trafficking, the Department must show, by clear and convincing evidence, that FAP benefits were sold for cash or consideration other than eligible food or that the client fraudulently used her Electronic Benefit Transfer (EBT) card containing her FAP benefits. None of the foregoing transactions establish that Respondent's purchases at [REDACTED] were not legitimate food purchases or otherwise involved the fraudulent use of Respondent's EBT card. Suspicious transactions are not sufficient to establish trafficking by clear and convincing evidence. Thus, the Department has failed to satisfy its burden of showing that Respondent trafficked her FAP benefits.

Disqualification

A court or hearing decision that finds a client committed an IPV disqualifies that client from receiving program benefits. A disqualified recipient remains a member of an active group as long as he lives with them. Other eligible group members may continue to receive benefits. BAM 720, p 12.

Clients who commit an IPV are disqualified for a standard disqualification period except when a court orders a different period, or except when the overissuance relates to MA. Refusal to repay will not cause denial of current or future MA if the client is otherwise eligible. BAM 710 (October 1, 2009), p 2. Clients are disqualified for periods of one year for the first IPV, two years for the second IPV, lifetime disqualification for the third IPV, and ten years for a concurrent receipt of benefits. BAM 720, p 13.

In this case, the Department has failed to satisfy its burden of showing that Respondent committed an IPV. Therefore, Respondent is not subject to a disqualification under the FAP program.

Recoupment of Overissuance

When a client group receives more benefits than they are entitled to receive, the Department must attempt to recoup the OI. BAM 700 (December 1, 2011), p 1. The OI amount for trafficking-related IPV is the value of the trafficked benefits as determined by a court decision, the individual's admission, or documentation used to establish the trafficking determination. BAM 720, p 7.

At the hearing, the Department alleged that Respondent trafficked \$3550.85 of her FAP benefits between November 2010 and February 2012. However, because the

Department failed to establish that Respondent trafficked her FAP benefits, it cannot establish that she was not entitled to the FAP benefits at issue. Thus, the Department is not entitled to recoup any FAP benefits in this case.

DECISION AND ORDER

The Administrative Law Judge, based upon the above Findings of Fact and Conclusions of Law, and for the reasons stated on the record, concludes that:

1. Respondent did did not commit an IPV.
2. Respondent did did not receive an OI of program benefits in the amount of \$3550.85 from the following program(s) FIP FAP SDA CDC MA.

The Department is ORDERED to

delete the OI and cease any recoupment action.

initiate recoupment procedures for the amount of \$ _____ in accordance with Department policy.

reduce the OI to _____ for the period _____, in accordance with Department policy.



Alice C. Elkin

Administrative Law Judge
for Maura Corrigan, Director
Department of Human Services

Date Signed: September 14, 2012

Date Mailed: September 14, 2012

NOTICE: The law provides that within 30 days of receipt of the above Decision and Order, the Respondent may appeal it to the circuit court for the county in which he/she lives.

ACE/hw

cc:

