

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

IN THE MATTER OF:

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Reg. No.: 2014-32437
Issue No(s): 3005
Case No.: ██████████
Hearing Date: June 12, 2014
County: Saginaw (00)

ADMINISTRATIVE LAW JUDGE: Eric Feldman

HEARING DECISION FOR INTENTIONAL PROGRAM VIOLATION

Upon the request for a hearing by the Department of Human Services (Department), this matter is before the undersigned Administrative Law Judge pursuant to MCL 400.9, and in accordance with Titles 7, 42 and 45 of the Code of Federal Regulation (CFR), particularly 7 CFR 273.16, and with Mich Admin Code, R 400.3130 and R 400.3178. After due notice, a telephone hearing was held on June 12, 2014 from Detroit, Michigan. The Department was represented by ██████████, Regulation Agent of the Office of Inspector General (OIG).

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 400.3178(5).

ISSUES

1. Did Respondent receive an overissuance (OI) of
 Family Independence Program (FIP) State Disability Assistance (SDA)
 Food Assistance Program (FAP) Child Development and Care (CDC)
 Medical Assistance (MA)
benefits that the Department is entitled to recoup?
2. Did the Department establish, by clear and convincing evidence, that Respondent committed an Intentional Program Violation (IPV)?
3. Should Respondent be disqualified from receiving benefits for
 Family Independence Program (FIP)? State Disability Assistance (SDA)?
 Food Assistance Program (FAP)? 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 February 11, 2014, 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 issued by the Department.
4. Respondent was was not aware of the responsibility to report changes in group composition and income.
5. Respondent had did not have an 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 it is considering the fraud period is October 1, 2012 to March 31, 2013 (fraud period).
7. During the fraud period, Respondent was issued \$2,154 in FIP FAP SDA CDC MA benefits by the State of Michigan, and the Department alleges that Respondent was entitled to \$0.00 in such benefits during this time period.
8. The Department alleges that Respondent received an OI in FIP FAP SDA CDC MA benefits in the amount of \$2,154.
9. This was Respondent's first second third alleged IPV.
10. 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 Department of Human Services Bridges Administrative Manual (BAM), Department of Human Services Bridges Eligibility Manual (BEM), and Department of Human Services Reference Tables Manual (RFT). Prior to August 1, 2008, Department policies were contained in the Department of Human Services Program Administrative Manuals (PAM), Department of Human Services

Program Eligibility Manual (PEM), and Department of Human Services Reference Schedules Manual (RFS).

☒ The Food Assistance Program (FAP) [formerly known as the Food Stamp program] is established by the Food Stamp Act of 1977, as amended, 7 USC 2011 to 2036a and is implemented by the federal regulations contained in 7 CFR 273. The Department (formerly known as the Family Independence Agency) administers FAP pursuant to MCL 400.10; the Social Welfare Act, MCL 400.1-.119b; and Mich Admin Code, R 400.3001 to .3015.

The Department's OIG requests IPV hearings for the following cases:

- FAP trafficking OIs that are not forwarded to the prosecutor.
- Prosecution of welfare fraud or FAP trafficking is declined by the prosecutor for a reason other than lack of evidence, **and**
 - the total OI amount for the FIP, SDA, CDC, MA and FAP programs is \$1000 or more, **or**
 - the total OI amount is less than \$1000, **and**
 - the group has a previous IPV, **or**
 - the alleged IPV involves FAP trafficking, **or**
 - the alleged fraud involves concurrent receipt of assistance (see BEM 222), **or**
 - the alleged fraud is committed by a state/government employee.

BAM 720 (May 2014), pp. 12-13.

Intentional Program Violation

Suspected IPV means an 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 reporting responsibilities.

BAM 700 (May 2014), p. 7; BAM 720, p. 1.

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

An IPV requires that the Department establish by clear and convincing evidence that the client has intentionally withheld or misrepresented information for the **purpose** of establishing, maintaining, increasing or preventing reduction of program benefits or eligibility. BAM 720, p. 1 (emphasis in original); see also 7 CFR 273(e)(6). 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 committed an IPV of her FAP benefits because she failed to report an additional group member (husband) and his employment and wages to the Department, which caused an overissuance of FAP benefits.

Clients must report changes in circumstance that potentially affect eligibility or benefit amount. BAM 105 (September 2012), p. 7. Changes must be reported within 10 days of receiving the first payment reflecting the change. BAM 105, p. 7.

Income reporting requirements are limited to the following:

- Earned income:
 - Starting or stopping employment.
 - Changing employers.
 - Change in rate of pay.
 - Change in work hours of more than five hours per week that is expected to continue for more than one month.

BAM 105, p. 7.

Other changes must be reported within 10 days after the client is aware of them. BAM 105, p. 7. These include, but are not limited to, changes in persons in the home and marital status. BAM 105, p. 7.

Spouses who are legally married and live together must be in the same group. BEM 212 (April 2012), p. 1. A member add that increases benefits is effective the month after it is reported or, if the new member left another group, the month after the member delete. BEM 212, p. 7.

The Department's OIG indicates that the time period it is considering the fraud period is October 1, 2012 to March 31, 2013. At the hearing, the Department presented evidence to show why it believed the Respondent was aware of her responsibility to report her additional group member (husband) and his income and that she intentionally withheld or misrepresented information for the purpose of establishing, maintaining, increasing or preventing reduction of her FAP program benefits or eligibility. It should be noted that the group size was two during the OI period (Respondent and daughter); however, the Department acknowledged it should have been three (Respondent, husband and daughter).

First, the Department presented Respondent's FAP application dated November 8, 2011, to show that the Respondent was aware of her responsibility to report changes. See Exhibit 1, pp. 12-35. It should be noted that Respondent included the husband as a household member in this application and reported his income. See Exhibit 1, pp. 15 and 25.

Second, the Department also presented Children Protective Services (CPS) documents dated November 23, 2011, to show that Respondent's husband lived with her during the alleged OI period. See Exhibit 1, pp. 36-45 and 89-95.

Third, the Department presented Respondent's application dated October 5, 2012, which was submitted during the alleged fraud period. See Exhibit 1, pp. 46 – 69. Moreover, a review of the application indicated that Respondent did not list her husband as a household member or his income. See Exhibit 1, p. 50. However, the application also indicated that she was separated. See Exhibit 1, p. 48. Respondent also indicated in the application that he is the father of his daughter, he does not live in the home, and indicated his employment at issue. See Exhibit 1, p. 49.

Fourth, the Department presented the husband's work verification (e.g., Equifax) dated March 21, 2013, which showed the husband's employment history. See Exhibit 1, pp. 70-74. Moreover, the work verification showed that his address was the same as the Respondent and the Equifax report was conducted during the alleged fraud period. See Exhibit 1, p. 70. The Department also presented evidence to show that Respondent and her husband purchased their residence on April 4, 2007 and have resided there ever since. See Exhibit 1, pp. 111-112.

Based on the foregoing information and evidence, the Department has failed to establish that Respondent committed an IPV of FAP benefits. There was no evidence to show that Respondent, during the alleged fraud period, represented that she intentionally withheld information.

The Department presented Respondent's application dated October 5, 2012, which was submitted during the alleged fraud period. See Exhibit 1, pp. 46 – 69. which . See Exhibit 1. The application did not indicate her husband as a household member nor his income information. See Exhibit 1. However, the Verification of Employment and CPS

documents showed that the husband resided with the Respondent/daughter and received income during the alleged fraud period. See Exhibit 1, pp. pp. 36-45, 70-74, and 89-95. But, a review of the application indicated that she was separated. See Exhibit 1, p. 48. Respondent also indicated in the application that he is the father of his daughter, he does not live in the home, and indicated his employment at issue. See Exhibit 1, p. 49. Thus, at the time of application, it is persuasive that Respondent and spouse were not residing together.

Additionally, it is understandable that the CPS reports and employment verifications show that Respondent and spouse were residing together, however, this was submitted during the end of the alleged fraud period. Therefore, the Department failed to show by clear and convincing evidence that Respondent and spouse resided together during the alleged fraud period.

Therefore, in the absence of any clear and convincing evidence that Respondent intentionally withheld or misrepresented the income/group composition information for the purpose of establishing, maintaining, increasing or preventing reduction of her FAP program benefits or eligibility, the Department has failed to establish that Respondent committed an IPV of FAP benefits.

Disqualification

A court or hearing decision that finds a client committed IPV disqualifies that client from receiving program benefits. BAM 720, pp. 15-16. A disqualified recipient remains a member of an active group as long as he lives with them, and other eligible group members may continue to receive benefits. BAM 720, p. 16.

Clients who commit an IPV are disqualified for a standard disqualification period except when a court orders a different period, or except when the OI relates to MA. BAM 720, p. 16. Refusal to repay will not cause denial of current or future MA if the client is otherwise eligible. BAM 710 (July 2013), 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 FAP concurrent receipt of benefits. BAM 720, p. 16.

In this case, the Department has not satisfied its burden of showing that Respondent committed an IPV concerning FAP benefits. Therefore, Respondent is not subject to a disqualification under the FAP program. BAM 720, p. 16.

Overissuance

As stated previously, the Department failed to show that Respondent purposely failed to report income. Thus, no IPV was committed. However, the Department can still proceed with recoupment of the OI when there is client error.

A client/CDC provider error OI occurs when the client received more benefits than they were entitled to because the client/CDC provider gave incorrect or incomplete information to the department. BAM 715 (May 2014), p. 1.

A client error is present in this situation because Respondent failed to notify the Department of her additional group member (husband) and his earned income. The Department presented the CPS documents and employment verification, which provided evidence that the husband resided with the Respondent during the OI period. See Exhibit 1, pp. pp. 36-45, 70-74, and 89-95. Based on this information, it is persuasive evidence that an OI is present due to client error.

In regards to policy, Respondent did not report the husband's earned income changes within 10 days of receiving the first payment reflecting the change. BAM 105, p. 7. Thus, an OI was present for FAP benefits.

Applying the OI standard, the Department determined that the OI period began on October 1, 2012. See Exhibit 1. It is found that the Department applied the appropriate OI begin date. See BAM 715, pp. 4-5.

Additionally, when a client group receives more benefits than they are entitled to receive, the Department must attempt to recoup the OI. BAM 700, p. 1. The amount of the OI is the benefit amount the group or provider actually received minus the amount the group was eligible to receive. See BAM 715, p. 6.

In this case, the Department presented OI budgets from the period of October 2012 to March 2013. See Exhibit 1, pp. 76-88. Monthly budgets were provided for the FAP programs using the employer's verification (e.g., Equifax). See Exhibit 1, 70-74. A review of the OI budgets found them to be fair and correct. The Department established that from October 2012 to March 2013 the Respondent was issued \$2,154 in FAP benefits. After budgeting the Respondent's income, the corrected total amount of FAP benefits issuance was \$0. The overissuance was established to be \$2,154 in FAP benefits. See Exhibit 1. Thus, the Department is entitled to recoup \$2,154 of FAP benefits. See BAM 715, p. 8.

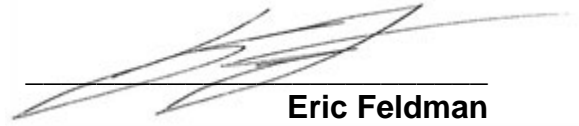
DECISION AND ORDER

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

1. The Department has has not established by clear and convincing evidence that Respondent committed an IPV.
2. Respondent did did not receive an OI of program benefits in the amount of \$2,154 from the following program(s) FIP FAP SDA CDC MA.

The Department is ORDERED to

- initiate recoupment procedures for the amount of \$2,154 in accordance with Department policy.



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

Date Signed: June 19, 2014

Date Mailed: June 19, 2014

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.

EJF/cl

cc: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
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