

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

IN THE MATTER OF:

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Reg. No.: 14-013314
Issue No.: 3005
Case No.: ██████████
Hearing Date: June 29, 2015
County: WASHTENAW (DISTRICT 20)

ADMINISTRATIVE LAW JUDGE: Eric Feldman

HEARING DECISION FOR INTENTIONAL PROGRAM VIOLATION

Upon the request for a hearing by the Department of Health and Human Services (Department or DHHS), 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 45 CFR 235.110; and with Mich Admin Code, R 400.3130 and 400.3178. After due notice, a telephone hearing was held on June 29, 2015, 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 Food Assistance Program (FAP) 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 FAP?

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 October 13, 2014, to establish an OI of benefits received by Respondent as a result of Respondent having allegedly committed an IPV.

2. The OIG has requested that Respondent be disqualified from receiving program benefits.
3. Respondent was/is a recipient of FAP benefits issued by the Department.
4. Respondent was aware of the responsibility 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 it is considering the fraud period is August 1, 2014 to August 19, 2014 (fraud period).
7. The Department alleges that Respondent trafficked ██████ in FAP benefits.
8. This was Respondent's first alleged IPV.
9. A notice of hearing was mailed to Respondent at the last known address and was not returned by the US Post Office as undeliverable.

CONCLUSIONS OF LAW

Department policies are contained in the Department of Health and Human Services Bridges Administrative Manual (BAM), Bridges Eligibility Manual (BEM), Adult Services Manual (ASM), and Reference Tables Manual (RFT).

The Food Assistance Program (FAP) [formerly known as the Food Stamp program] is established by the Food and Nutrition Act of 2008, 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 Department of Human Services) administers FAP pursuant to MCL 400.10; the Social Welfare Act, MCL 400.1-.119b; and Mich Admin Code, R 400.3001 to .3015.

Effective October 1, 2014, the Department's OIG requests IPV hearings for the following cases:

- Willful overpayments of \$500.00 or more under the AHH program.
- FAP trafficking overissuances 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 amount for the FIP, SDA, CDC, MA and FAP programs combined is \$500 or more, or
 - the total amount is less than \$500, 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 (October 2014), pp. 12-13; ASM 165 (May 2013), pp. 1-7.

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.

The federal Food Stamp regulations read in part:

- (c) *Definition of Intentional Program Violation.* Intentional Program Violation shall consist of having intentionally:
- (1) Made a false or misleading statement, or misrepresented, concealed or withheld facts; or
 - (2) Committed any act that constitutes a violation of the Food Stamp Act, the Food Stamp Program Regulations, or any State statute for the purpose of using, presenting, transferring, acquiring, receiving, possessing or trafficking of coupons, authorization cards or reusable documents used as part of an automated benefit delivery system (access device).

7 CFR 273.16(c)(1) and (2).

On August 21, 2013, the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) published the SNAP Trafficking Controls and Fraud Investigations Final and Interim Final Rule; this final rule would become effective on November 19, 2013. Federal Register, Vol. 78, No 162, Wednesday, August 21, 2013, pp. 51649-51658, see available link at http://www.fns.usda.gov/sites/default/files/FR-082113_SNAP.pdf.

In part, the final rule amends the trafficking definition “to include actions that clearly express the attempt to sell or buy SNAP benefits or Electronic Benefit Transfer (EBT) cards in person or online through Web sites and social media.” Federal Register, Vol. 78, No. 162, Wednesday, August 21, 2013, p. 51650. More specifically, the federal rule now reads that:

Trafficking means:

- (1) The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits issued and accessed via Electronic Benefit Transfer (EBT) cards, card numbers and personal identification numbers (PINs), or by manual voucher and signature, for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone;
- (2) The exchange of firearms, ammunition, explosives, or controlled substances, as defined in section 802 of title 21, United States Code, for SNAP benefits;

(3) Purchasing a product with SNAP benefits that has a container requiring a return deposit with the intent of obtaining cash by discarding the product and returning the container for the deposit amount, intentionally discarding the product, and intentionally returning the container for the deposit amount;

(4) Purchasing a product with SNAP benefits with the intent of obtaining cash or consideration other than eligible food by reselling the product, and subsequently intentionally reselling the product purchased with SNAP benefits in exchange for cash or consideration other than eligible food; or

(5) Intentionally purchasing products originally purchased with SNAP benefits in exchange for cash or consideration other than eligible food.

(6) Attempting to buy, sell, steal, or otherwise affect an exchange of SNAP benefits issued and accessed via Electronic Benefit Transfer (EBT) cards, card numbers and personal identification numbers (PINs), or by manual voucher and signatures, for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone. (Changes to the previous rule in bold).

7 CFR 271.2 (emphasis added).

This change effectively creates a new class of IPV's and the States can pursue an IPV against the individual suspected of making such attempts. Therefore, the question faced by the undersigned is whether the behavior of the Respondent in the current case falls within the definition of trafficking (7 CFR 271.2).

In the present case, the Department alleges that Respondent committed an IPV of her FAP benefits based on her social media post (██████████) offering to sell FAP benefits on or around August of 2014.

First, the Department's OIG agent testified that the social media post occurred on or around August of 2014. See Exhibit A, pp. 14-16. The undersigned finds the OIG agent's testimony credible that the post occurred on or around August of 2014. The OIG agent's credibility is supported by the fact that the social media profile was active in August 2014. The Department's OIG submitted a subpoena request to ██████████ for the subscriber information. On or around September 19, 2014, ██████████ responded to the subpoena by providing a ██████████ of the social media profile in question. See Exhibit A, pp. 22-40. A review of the documentation confirmed that the

social media profile was active from April 14, 2011 to August 20, 2014, which supported the OIG's testimony that the post occurred on or around August of 2014 as the account was in existence at the time. See Exhibit A, p. 22.

Second the post stated on or around August of 2014, [REDACTED] See Exhibit A, p. 14. The post occurred in a [REDACTED] group posting entitled "[REDACTED] [REDACTED]." See Exhibit A, p. 14. In fact, it appears the moderator of the swap meet responded to the post by stating, "...your post will be deleted and you will be subject to being banned from the group!" See Exhibit A, p. 15. In response, the post stated, "It happens all the time everyone knows it's illegal no need to make a post about it your acting like you never bought or sold food stamps before and if not you know ppl who do(.)" See Exhibit A, p. 15.

Third, the Department presented sufficient evidence and testimony that the Respondent is the actual individual who offered to sell FAP benefits online on or around August of 2014. For example, the Department presented Respondent's driver's license photo, which matched the photos of Respondent's social media profile. See Exhibit A, pp. 12-13 and 17. Furthermore, [REDACTED] subpoena response provided the contact number associated with the social media profile and that number matched the cell phone number of the Respondent's as indicated in her application dated May 20, 2013. See Exhibit A, pp. 22 and 44.

Fourth, the Department's OIG agent testified that it spoke to the Respondent on August 20, 2014, in which the Respondent stated the following to him: (i) she was aware of the site that her post was made from ([REDACTED]), but contends that she didn't have a [REDACTED] account, denied making the post, and does not have any other social media sites; (ii) and someone else got her pictures from her email or another place. See Exhibit A, pp. 4-5. It should be noted the undersigned finds it coincidental that Respondent's profile that she denied having closed the same day as the interview with the OIG agent. See Exhibit A, p. 22.

Based on the foregoing information and evidence, the Department has established by clear and convincing evidence that Respondent committed an IPV of her FAP benefits based on her "attempt" of trafficking of FAP benefits.

First, the Respondent denied having a [REDACTED] and denied making the post to the OIG agent. However, as stated above, the Department presented sufficient evidence and testimony that the Respondent is the actual individual who offered to sell FAP benefits online on or around August of 2014. In fact, Respondent failed to be present at the hearing to rebut the Department's testimony and evidence, which established that Respondent did indeed make the posts in question.

Second, the undersigned finds that Respondent's social media posting on or around August of 2014, falls within the trafficking definition of 7 CFR 271.2 because she

attempted to sell SNAP benefits or an EBT card online through a social media website. See Exhibit A, pp. 14-15.

Disqualification

A client who is found to have committed an IPV by a court or hearing decision is disqualified from receiving program benefits. BAM 720, pp. 15-16; BEM 708 (April 2014), p. 1. Clients are disqualified for ten years for a FAP IPV involving concurrent receipt of benefits, and, for all other IPV cases involving FIP, FAP or SDA, for standard disqualification periods of one year for the first IPV, two years for the second IPV, and lifetime for the third IPV. BAM 720, p. 16. CDC clients who intentionally violate CDC program rules are disqualified for six months for the first occurrence, twelve months for the second occurrence, and lifetime for the third occurrence. BEM 708, p. 1. 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.

In this case, the Department has satisfied its burden of showing that Respondent committed an IPV concerning FAP benefits. Therefore, Respondent is disqualified from FAP benefits for 12 months. BAM 720, p. 16.

Overissuance

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. An overissuance is the amount of benefits issued to the client group or CDC provider in excess of what it was eligible to receive. BAM 700, p. 1. For FAP benefits, an overissuance is also the amount of benefits trafficked (traded or sold). BAM 700, p. 1.

For FAP trafficking, the OI amount for trafficking-related IPV is the value of the trafficked benefits as determined by:

- The court decision.
- The individual's admission.
- Documentation used to establish the trafficking determination, such as an affidavit from a store owner or sworn testimony from a federal or state investigator of how much a client could have reasonably trafficked in that store. This can be established through circumstantial evidence.

BAM 720, p. 8

In this case, the Department sought an OI of program benefits in the amount of [REDACTED] due to Respondent's attempt to sell [REDACTED] worth of FAP benefits online. See Exhibit A, p. 14. However, policy states that the OI amount for trafficking-related IPV is the value of the trafficked benefits. See BAM 720, p. 8. In the present case, there has been no

