

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

IN THE MATTER OF:

[REDACTED]

Reg. No.: 201426888
Issue No.: 3005
Case No.: [REDACTED]
Hearing Date: May 12, 2014
County: Wayne (55)

ADMINISTRATIVE LAW JUDGE: Alice C. Elkin

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 May 12, 2014 from Detroit, Michigan. The Department was represented by [REDACTED], Regulation Agent of the Office of Inspector General (OIG), and [REDACTED], translator. Participants on behalf of Respondent included: Respondent.

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 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 February 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 a recipient of FAP benefits issued by the Department.
4. Respondent was aware of the responsibility to use FAP benefits for lawful purchases.
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 March 2011 to September 2012.
7. During the fraud period, the Department alleges that Respondent trafficked \$6003 in FAP benefits issued by the State of Michigan.
8. The Department alleges that Respondent received an OI in FAP benefits in the amount of \$6003.
9. This was Respondent's first alleged IPV.
10. 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 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 720, p. 1; BAM 700 (May 2014), p. 7.

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 because he trafficked \$6003 of his FAP benefits at [REDACTED] (Store). Trafficking is (i) the

buying or selling of FAP benefits for cash or consideration other than eligible food; (ii) selling products purchased with FAP benefits for cash or consideration other than eligible food; and (iii) purchasing containers with deposits, dumping/discarding product and then returning containers to obtain cash refund deposits.. BAM 700, pp 1-2; see also Department of Human Services, Bridges Policy Glossary (BPG) (January 2014), p 66. 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 (July 2013), p. 3.

The Department presented evidence that Store was found in administrative hearings before the United States Department of Agriculture (USDA) to have trafficked FAP benefits and had its authorization to accept FAP benefits revoked. To support a trafficking case against Respondent, the Department must establish, by clear and convincing evidence, that *Respondent* engaged in trafficking when he used his FAP benefits at Store.

To support its case against Respondent, the Department presented Respondent's FAP transaction history at Store between March 2011 and September 2012. The Department argued that Respondent's FAP transactions at Store established that he trafficked his benefits at the establishment because (i) there were high monthly expenditures, with several single transactions greater than \$200 and \$300 and a single transaction on February 16, 2012 totaling \$550.41, (ii) the transactions occurred the same day each month, evidencing that a line of credit was maintained, (iii) there were same day transactions within minutes of one another to disguise high dollar transactions, (iv) there were six transactions in June 2012, with several large and even transactions, and (v) Respondent had access to other stores that offered culturally appropriate foods, with better pricing and variety. The Department pointed out that Store had no grocery carts or baskets, no scanners and no grocery bags. Although the Department included statements from Store's owner and employee with the evidence of the USDA administrative findings against the Store, those statements are hearsay and are afforded limited, if any weight, in this case. See MRE 801; MRE 802.

Respondent was present at the hearing. He explained that his high transaction amounts at Store were due to the fact that he often bought his food from Store in bulk and he was purchasing food for additional persons that resided with him in his home beginning October 2011. He further explained that in February 2012 he received a FAP supplement of about \$2500 leading to his \$550 transaction at Store on February 16, 2012. The FAP transaction history supports Respondent's testimony that he received no benefits in December 2011 and January 2012 and a large FAP allotment in February 2012.

Respondent also testified that Store allowed him to purchase food items and pay for those items later using his FAP benefits. The Department argued that maintaining a line of credit is not an acceptable use of FAP benefits. 7 CFR 274.7 provides that "program benefits shall not be used to pay for any eligible food purchased prior to the time at

which an EBT card is presented to authorized retailers or meal services” and supports the Department’s position that a client cannot maintain a line of credit. However, in order to establish that a client has committed an IPV, the Department must establish that the client “committed, and intended to commit, an IPV,” including an IPV based on trafficking. 7 CFR 273.16(e)(6); 7 CFR 273.16(c). Respondent’s testimony credibly established that he did not intend to commit a violation of the FAP program by maintaining a line of credit. Likewise, Respondent’s testimony established that he did not intend to commit a violation of the FAP program by using his FAP benefits for additional members of his household that he had failed to report.

Based on the evidence presented, the Department failed to establish, by clear and convincing evidence, that Respondent trafficked his FAP benefits at Store. Thus, the Department has failed to establish that Respondent committed an IPV.

Disqualification

A court or hearing decision that finds a client committed IPV disqualifies that client from receiving program benefits. BAM 720, p. 12. 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. 13.

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. 13. 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 failed to satisfy its burden of showing that Respondent committed a FAP IPV. Therefore, Respondent is **not** subject to a disqualification from the FAP program.

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. The OI amount for a trafficking-related IPV is the value of the trafficked benefits as determined by (i) a court decision, (ii) the individual’s admission, or (iii) 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, which can be established through circumstantial evidence. BAM 720, p. 8.

As discussed above, the Department failed to support its allegation that Respondent trafficked his FAP benefits at Store between March 2011 and September 2012. Even if Respondent was not entitled to use his FAP benefits on a line of credit, Respondent’s testimony indicated that not all transactions involved a line of credit, and the Department

did not identify which transactions involved a line of credit. Thus, the Department is not entitled to recoup or collect the \$6003 it alleges Respondent trafficked at Store.

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. The Department has not established by clear and convincing evidence that Respondent committed an IPV.
2. Respondent did not receive an OI of FAP program benefits in the amount of \$6003.

The Department is ORDERED to delete the OI and cease any recoupment/collection action.



Alice C. Elkin
Administrative Law Judge
for Maura Corrigan, Director
Department of Human Services

Date Signed: June 2, 2014

Date Mailed: June 2, 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.

ACE/tlf

cc:

