

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

**IN THE MATTER OF:**

[REDACTED]

Reg. No.: 2014-27032  
Issue No(s): 3005  
Case No.: [REDACTED]  
Hearing Date: March 31, 2014  
County: Wayne #55

**ADMINISTRATIVE LAW JUDGE: Dale Malewska**

**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 March 31, 2014 from Lansing, Michigan. The Department was represented by [REDACTED], Regulation Agent of the Office of Inspector General (OIG).

Participants on behalf of Respondent included: Saakeela Khanam, daughter/translator who was questioned and sworn by the Administrative Law Judge. She possessed adequate bilingual ability.

**ISSUES**

1. Did Respondent receive an over-issuance (OI) of  Food Assistance Program (FAP) benefits that the Department is entitled to recoup?
2. Did Respondent, by clear and convincing evidence, commit an Intentional Program Violation (IPV)?
3. Should Respondent be disqualified from receiving  Food Assistance Program (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 20, 2014, to establish an OI and debt collection recoupment of benefits received by Respondent as a result of Respondent having allegedly committed an IPV.

2. The OIG  has requested that the 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 not engage in unauthorized transactions.
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 October 2010 through July 2012.
7. During the fraud period, Respondent was issued \$ [REDACTED] in  FAP benefits by the State of Michigan. [Exhibit #1, page 41]
8. The Department alleges that Respondent received an OI in  FAP benefits in the amount of \$ [REDACTED]
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 271.1 to 285.5. The Department (formerly known as the Family Independence Agency) administers FAP pursuant to MCL 400.10 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 \$ [REDACTED] or more, or
  - the total OI amount is less than \$ [REDACTED] 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 (7-1-2013), p. 12.

### **Intentional Program Violation**

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

- The Respondent intentionally failed to report information **or intentionally gave incomplete or inaccurate information** needed to make a correct benefit determination, and
- The Respondent was **clearly and correctly instructed** regarding his or her reporting responsibilities, and
- The Respondent has **no apparent physical or mental impairment that limits his or her understanding** or ability to fulfill reporting responsibilities.

BAM 700 (7-1-2013), p. 6; BAM 720, p. 1.

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

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An IPV requires that the Department establish by clear and convincing evidence that the Respondent 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; 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 OIG witness [REDACTED] provided sufficient, un rebutted testimony and other evidence to establish that in August of 2012 a joint USDA-OIG investigation determined that Vendor's store – [REDACTED] was determined to have been trafficking FAP benefits. The Vendor's store had inadequate and expired inventory to support the dollar value of the redeemed EBT benefits. There were no carts, no baskets or bags to carry way the bulk of product which typical redemptions would require. Additionally, there was no optical scanner. The Vendor's employee – [REDACTED] said in his statement that 85% of our customers were food stamp recipients and 100% of them were exchanging benefits for cash. Exhibit #1, pages 16-18.

Such exaggerated redemptions included multiple high dollar transactions, close proximity, even dollar and "unusual cents-ending anomalies." See Exhibit #1 at pp. 40-41. During the height of the Vendor's fraudulent activity, [REDACTED], it was necessary to hire a security guard for "crowd control" as the lines to the business stretched "around the block" and cash was present on premises in large amounts. See Testimony of Drabek. As a result, the USDA-OIG investigators determined that the *Modhubon Grocery* was permanently disqualified from the SNAP program.

Between the dates of [REDACTED] the Respondent [REDACTED] was responsible for participating in [REDACTED] unauthorized transactions involving the misuse of her EBT card totaling \$ [REDACTED] in unauthorized redemption. The OIG established misuse of the Respondent's EBT totaling \$ [REDACTED] over-issuance of FAP benefits as well as her participation in an EBT-backed [and prohibited] line of credit at [REDACTED].

Supported by persuasive documentary evidence the OIG demonstrated the above referenced investigation as well as the vendor's disqualification from SNAP. The OIG established misuse of the Respondent's EBT totaling \$ [REDACTED] over-issuance of FAP benefits.

There was little SNAP approved food and that which existed was largely expired or spoiled. Exhibit #1, pp. 19, 20 – 31. The OIG witness [REDACTED] said, "...for the amount of redemption presented each month by the Vendor - there should have been no expired food on his shelves." At the peak of its fraudulent activity the Vendor's gross sales dwarfed his local competitors by a factor in excess of 3:1. Exhibit #1, pp. 3, 38, 39.

The Respondent testified that she bought large amounts of pork, goat, fish and beef all of which were culturally reminiscent of her homeland – [REDACTED]. She said the lack of baskets or carts was not an issue because they would load the car right in front of the store. She said she thought she got good products and service from the owner of the store and that she participated in an EBT backed store credit program because her husband's hand injury. She said that many of the totals were high dollar because of their imported nature and that the necessary spices were expensive. She said she did not think she did anything wrong at [REDACTED]. She said they not only bought food with the EBT card, but "house things" as well.

On cross examination the OIG agent established that the Respondent participated in a line of credit – which the Respondent acknowledged.

In closing, the Respondent acknowledged establishing the line of credit based on her EBT card with the Vendor.

On review, the evidence brought by the OIG established with clear and convincing weight that both an IPV and OI were committed by the Respondent. The Administrative Law Judge gave particular weight to the store employee's recorded statement that "...100 per cent of their customers exchanged EBT benefits for cash."

Furthermore, the Respondent admitted participating in the prohibited action of establishing a line of credit through her EBT account – wherein she paid later for present purchases.

Based on the testimony and the evidence, referenced above it is concluded that the OIG established, under a clear and convincing standard, that Respondent committed an IPV during the period of [REDACTED]. See Department's Exhibit #1 – throughout.

The Respondent's first IPV violation - a one year disqualification is appropriate.

Based on the credible testimony and the documentary evidence, it is concluded that the OIG established, under a clear and convincing standard, that Respondent committed an IPV in this matter – resulting in OI of FAP \$ [REDACTED] for the period of [REDACTED]

The Respondent's first IPV violation - a one year disqualification is appropriate.

### **Disqualification**

A court or hearing decision that finds a Respondent committed IPV disqualifies that Respondent 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.

Respondents 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 Medicaid. Respondents 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. See BAM 720, p. 16.

### **Over-issuance**

When a Respondent group receives more benefits than they are entitled to receive, the Department must attempt to recoup the OI. BAM 700, p. 1.

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<sup>1</sup>Presumably the actual total was rounded off. Exhibit #1 page 41; Findings of Fact 7 and 8.

In this case, the Department's witness, Drabek, established with that the Respondent received an OI of FAP benefits in the amount of \$ [REDACTED]

**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 established by clear and convincing evidence that Respondent  did commit an intentional program violation (IPV).
2. Respondent  did receive an OI of program benefits in the amount of \$ [REDACTED] from the following program(s)  FAP.

The Department is ORDERED to  initiate recoupment procedures for the amount of \$ [REDACTED] in accordance with Department policy.

It is FURTHER ORDERED that Respondent be disqualified from  FAP for a period of  12 months.



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

Date Signed: 6/5/14

Date Mailed: 6/13/14

**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.

DM/tb

cc:

[REDACTED]