

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

IN THE MATTER OF:

[REDACTED]

Reg. No.: 15-007667
Issue No.: 3005
Case No.: [REDACTED]
Hearing Date: August 27, 2015
County: WAYNE-DISTRICT 31

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 August 27, 2015, from Detroit, Michigan. The Department was represented by [REDACTED] 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 [REDACTED] 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 report employment and wages to the Department.
5. Respondent 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 [REDACTED] (fraud period).
7. During the fraud period, Respondent was issued \$4,742 in FAP benefits by the State of Michigan, and the Department alleges that Respondent was entitled to \$3,086 in such benefits during this time period.
8. The Department alleges that Respondent received an OI in FAP benefits in the amount of \$1,656.
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 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.

Clients must report changes in circumstance that potentially affect eligibility or benefit amount. BAM 105 (May 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.

In this case, the Department alleges that Respondent committed an IPV of her FAP benefits because she failed to timely report her employment and wages to the Department, which caused an overissuance of FAP benefits.

First, the Department presented Respondent's application dated [REDACTED] to show that she was aware of her responsibility to report changes as required. See Exhibit A, pp. 11-31. Furthermore, Respondent did not report any earned income in the application, even though she received income within the last 30 days of her application (received income on [REDACTED]). See Exhibit A, pp. 23-24 and 33.

Second, the Department presented Respondent's Verification of Employment. See Exhibit A, pp. 32-43. The Verification of Employment indicated that Respondent received wages from [REDACTED]. See Exhibit A, pp. 33-42.

Third, the OIG investigative report indicated that the OIG agent spoke with Respondent on [REDACTED] and the OIG report summarized the following from the conversation: (i) she indicated the OI is too high; and (ii) she stated the income was reported. See Exhibit A, p. 4.

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. In this case, the Department presented Respondent's application dated [REDACTED], which was submitted just prior to the fraud period. See Exhibit A, pp. 11-31. Nevertheless, in the application, Respondent did not report any income, even though the employment verification indicated that she received income before the application

(i.e., received income on [REDACTED]). See Exhibit A, pp. 23-24 and 33. This is persuasive evidence that Respondent committed an IPV of her FAP benefits because she intentionally withheld or misrepresented her income information for the purpose of establishing, maintaining, increasing or preventing reduction of her FAP benefits.

In summary, there was clear and convincing evidence that Respondent was aware of the responsibility to report her earned income and that she intentionally withheld or misrepresented her income information for the purpose of establishing, maintaining, increasing or preventing reduction of her FAP program benefits or eligibility.

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. The amount of the OI is the benefit amount the group or provider actually received minus the amount the group was eligible to receive. BAM 720, p. 8.

As stated previously, the Department has established that Respondent committed an IPV of her FAP benefits. Moreover, it is found that the Department applied the appropriate OI begin date of [REDACTED]. See BAM 720, p. 7 and Exhibit A, pp. 4 and 33.

In this case, the Department presented OI budgets for July 2012 to May 2013. See Exhibit A, pp. 52-74. A review of the OI budgets for July 2012; August 2012; October 2012; November 2012; and December 2012 found them to be inaccurate. All of these budgets indicated that Respondent received unemployment compensation along with her employment wages, whereas the remaining OI budgets indicated that she did not

receive unemployment compensation. The undersigned found that the budgets which included her unemployment compensation were not properly budgeted and/or properly verified. For example, for August 2012, the OI budget indicated that Respondent only received one biweekly payment of unemployment wages in the amount of \$650 (pay date of [REDACTED]); however, the Department budgeted a total unearned income of \$698. See Exhibit A, pp. 55-56. It is unclear why the Department budgeted a higher amount. Because no verification of Respondent's unemployment wages were provided in the evidence packet, the undersigned is unable to verify if the Department properly budgeted Respondent's unemployment wages for August 2012. Additionally, for November 2012, Respondent only received unemployment wages and she did not receive any employment earnings. See Exhibit A, pp. 61-62. However, the Department indicated that there was an OI for this benefit month. The undersigned is confused because the Department did not argue in this hearing a failure to report unearned income; instead, the Department only argued a failure to report earned income. Due to the above discrepancies, any OI month which included income received from unemployment wages was subtracted from the total OI sought. The Department failed to satisfy its burden of showing that it properly calculated the OI for the above benefit periods as the Department failed to provide any verification of Respondent's unemployment compensation.

Nevertheless, a review of the OI budgets for September 2012 (\$67 underissuance for this month) and January 2013 to May 2013 found them to be fair and correct. The budgets included Respondent's income that was not previously budgeted from the employer's verification. See Exhibit A, pp. 32-43. See BAM 715, p. 8. Thus, the Department is entitled to recoup \$620 of FAP benefits it issued from [REDACTED] and [REDACTED] (\$687 total OI minus \$67 underissuance from September 2012).

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 committed an IPV.
2. Respondent **did** receive an OI of program benefits in the amount of \$620 from the FAP program.

The Department is ORDERED to reduce the OI to \$620 for the period from [REDACTED], and [REDACTED], and initiate recoupment/collection procedures in accordance with Department policy.

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



Eric Feldman
Administrative Law Judge
for Nick Lyon, Director
Department of Health and Human Services

Date Signed: **8/31/2015**

Date Mailed: **8/31/2015**

EF / hw

NOTICE: The law provides that within 30 days of receipt of the above Hearing Decision, the Respondent may appeal it to the circuit court for the county in which he/she lives or the circuit court in Ingham County. A copy of the claim or application for appeal must be filed with the Michigan Administrative Hearing System (MAHS).

cc:

