



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
MICHIGAN ADMINISTRATIVE HEARING SYSTEM
Christopher Seppanen
Executive Director

SHELLY EDGERTON
DIRECTOR

[REDACTED]
[REDACTED]
[REDACTED]

Date Mailed: September 9, 2016
MAHS Docket No.: [REDACTED]
Agency No.: [REDACTED]
Petitioner: [REDACTED]
Respondent: [REDACTED]

ADMINISTRATIVE LAW JUDGE: Eric J. Feldman

HEARING DECISION FOR INTENTIONAL PROGRAM VIOLATION

Upon the request for a hearing by the Department of Health and 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 45 CFR 235.110; and with Mich Admin Code, R 400.3130 and 400.3178. After due notice, a telephone hearing was held on [REDACTED], from Detroit, Michigan. The Department was represented by [REDACTED], Regulation Agent of the Office of Inspector General (OIG). The Respondent was represented by [REDACTED] (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 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 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 did not have an apparent physical or mental impairment that would limit the understanding or ability to fulfill this requirement.
6. Respondent had no apparent physical or mental impairment that would limit the understanding or ability to fulfill this requirement.
7. The Department's OIG indicates that the time period it is considering the fraud period is [REDACTED] (fraud period).
8. The Department alleges that Respondent trafficked [REDACTED] in FAP benefits.
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, 2015, 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 2015), 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 (October 2015), 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's position is that Respondent trafficked FAP benefits by using FAP benefits or a Bridge card that belong to another household for her household. The Department argued that Respondent allegedly trafficked [REDACTED] in unauthorized FAP transactions from [REDACTED]. The allegation is that Respondent unlawfully used her mother's Bridge card after her death. See Exhibit A, p. 1.

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).

Additionally, *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.

7 CFR 271.2 and see also BEM 203 (July 2014), pp. 3-4 (FAP trafficking includes fraudulently using, transferring, altering, acquiring, or possessing coupons, authorization cards, or access devices; or redeeming or presenting for payment coupons known to be fraudulently obtained or transferred).

Additionally, 7 of CFR 274.7(a), eligible food, states:

Program benefits may be used only by the household, or other persons the household selects, to purchase eligible food for the household, which includes, for certain households, the purchase of prepared meals, and for other households residing in certain designated areas of Alaska, the purchase of hunting and fishing equipment with benefits.

First, the Department presented Respondent's online application dated [REDACTED], in which she acknowledged that she understood the rules of the FAP program. See Exhibit A, pp. 15-50. Respondent had her own FAP case and Bridge card during the alleged fraud period. See Exhibit A, pp. 12-13.

Second, the Department presented the mother's Certificate of Death showing that her date of death was [REDACTED], and that the daughter, Respondent, was also the informant on the document. See Exhibit A, p. 11.

Third, the Department presented the mother's FAP transaction history. See Exhibit A, p. 14. The FAP transaction history showed that transactions were conducted subsequent to her death from [REDACTED]. See Exhibit A, p. 14. The Department argued that Respondent had her mother's Bridge card in her possession and was unlawfully using her mother's benefits after her death. See Exhibit

A, p. 10. Also, the Department presented Respondent's FAP transaction history to show that she was conducting transactions in conjunction with her mother's FAP benefits. See Exhibit A, pp. 12-14.

Fourth, the Department's OIG Investigation Report (OIG report) indicated that the mother only received a monthly FAP issuance of [REDACTED]. See Exhibit A, p. 4. The Department also testified that the mother's FAP group size was one during the alleged fraud period and there were no other authorized users, which meant the mother was the only eligible group member to use her Electronic Benefit Transfer (EBT) card/Bridge card.

Fifth, the OIG report indicated that the agent interviewed Respondent on [REDACTED], and the following was documented from the conversation: (i) Respondent stated she lived with her mother at the time of her death and was the one in possession of her mother's Bridge card after her death; (ii) Respondent admitted she was using her mother's Bridge card; (iii) Respondent stated her grandmother told her it was ok to keep using the card, denying she thought it was wrong; and (iv) Respondent acknowledged she understood she continued to receive her mother's benefits on the card from [REDACTED] after her mother had passed away. See Exhibit A, p. 4.

At the hearing, Respondent testified and/or made the following assertions: (i) she acknowledged she had possession of her mother's Bridge card and that she had used the card after her death; (ii) at the time of her mother's death, there was still a balance remaining on her mother's Bridge card and Respondent thought that she could spend the remaining balance, not knowing she was not authorized; and (iii) however, Respondent acknowledged that she did know at the time she was not allowed to continue using her deceased mother's Bridge card when benefits kept being deposited onto the Bridge card from or about [REDACTED].

Electronic Benefit Transfer (EBT) allows clients who receive cash (FIP, SDA etc.), and food (FAP) to receive their benefits using debit card technology. BAM 401E (July 2014), p. 1. Benefits are deposited electronically into a cash and/or food account. BAM 401E, p. 1. Clients access their benefits by using their personal identification number (PIN), along with their Bridge card. BAM 401E, p. 1.

The first line of defense in reducing inappropriate use of Bridge cards is education. BAM 401E, p. 12. DHS provides client and retailer training. BAM 401E, p. 12. The trainings include guidelines for appropriate use of Bridge cards as well as fraud and abuse information. BAM 401E, p. 12. Clients are also provided with written materials when they become eligible for assistance. BAM 401E, p. 13. DHS Pub-322, How to Use Your Bridge card, includes the following information about appropriate use:

- Misuse of Food Benefits is a violation of state and federal laws.
- Do not sell, trade or give away Food Assistance benefits, PIN or Michigan Bridge card.

- Do not allow a retailer to buy food benefits in exchange for cash.
- Do not use someone else's food benefits or Bridge card for households.
- It is prohibited to use cash assistance to purchase lottery tickets, alcohol, or tobacco. Cash assistance grants cannot be used for gambling, illegal activities, massage parlors, spas, tattoo shops, bail-bond agencies, adult entertainment, or cruise ships.
- Clients who purchase any beverages, in any type of container with a deposit, who dump the contents out and return the containers for the deposit, may be disqualified from receiving Food Assistance Program (FAP) benefits.
- People who break Food Assistance Program rules may be disqualified from the program, fined, put in prison, or all three; and must repay the food benefits.

BAM 401E, p. 13.

Based on the foregoing information, the Department has established by clear and convincing evidence that Respondent committed an IPV of FAP benefits. As stated above, Respondent's testimony showed that she did know it was unlawful at the time to continue using her mother's Bridge card after she had passed away. The evidence and testimony by both parties established that Respondent trafficked benefits when she used FAP benefits or Bridge cards that belong to another household for her household. The undersigned finds that the evidence supports the Department's position that Respondent did intend to commit a violation of the FAP program when she unlawfully used her deceased mother's Bridge card after her death for her own household. BAM 720, p. 1 BAM 401E, p. 13; BEM 203, pp. 3-4; 7 CFR 271.2; 7 CFR 273.16(c)(1) and (2); and 7 CFR 274.7(a). Accordingly, the Department has established by clear and convincing evidence that Respondent trafficked FAP benefits.

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, p. 15; 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 subject to a disqualification under the FAP program. 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 (stolen, traded, bought or sold) or attempted to be trafficked. BAM 700, pp. 1-2.

For FAP trafficking, the amount for trafficking-related IPV is the value of the trafficked benefits (attempted or actually trafficked) 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

As stated in the analysis above, the Department has established that Respondent committed an IPV involving her FAP benefits. Thus, it is found that Respondent received an OI of program benefits in the amount of [REDACTED] from the FAP program for the period of [REDACTED]. See Exhibit A, p. 14 and BAM 720, 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** established by clear and convincing evidence that Respondent committed an IPV.
2. Respondent **did** receive an OI of FAP program benefits in the amount of [REDACTED].

The Department is **ORDERED** to initiate recoupment/collection procedures for the amount of [REDACTED] in accordance with Department policy, less any amount already recouped and/or collected.

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

EF/hw



Eric J. Feldman

Administrative Law Judge

for Nick Lyon, Director

Department of Health and Human Services

NOTICE OF APPEAL: A party may appeal this Order in circuit court within 30 days of the receipt date. A copy of the circuit court appeal must be filed with the Michigan Administrative Hearing System (MAHS).

A party may request a rehearing or reconsideration of this Order if the request is received by MAHS within 30 days of the date the Order was issued. The party requesting a rehearing or reconsideration must provide the specific reasons for the request. MAHS will not review any response to a request for rehearing/reconsideration.

A written request may be mailed or faxed to MAHS. If submitted by fax, the written request must be faxed to (517) 335-6088; Attention: MAHS Rehearing/Reconsideration Request.

If submitted by mail, the written request must be addressed as follows:

Michigan Administrative Hearings
Reconsideration/Rehearing Request
P.O. Box 30639
Lansing, Michigan 48909-8139

Petitioner

[REDACTED]
[REDACTED]
[REDACTED]

DHHS

[REDACTED]
[REDACTED]
[REDACTED]

Respondent

[REDACTED]
[REDACTED]
[REDACTED]