



RICK SNYDER  
GOVERNOR

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

SHELLY EDGERTON  
DIRECTOR



Date Mailed: March 31, 2017  
MAHS Docket No.: 16-014776  
Agency No.: [REDACTED]  
Petitioner: OIG  
Respondent: [REDACTED] [REDACTED]

ADMINISTRATIVE LAW JUDGE: C. Adam Purnell

### **HEARING DECISION FOR INTENTIONAL PROGRAM VIOLATION**

Upon the request for a hearing by the Department of Health and Human Services ("Department" or "MDHHS"), 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 22, 2017 from Lansing, Michigan. [REDACTED] [REDACTED] Regulation Agent of the Office of Inspector General (OIG), represented the Department. 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 Respondent commit an Intentional Program Violation (IPV)?
3. Should Respondent be disqualified from receiving Food Assistance Program (FAP) benefits?

### **FINDINGS OF FACT**

The Administrative Law Judge, based on the competent, material, and substantial evidence on the whole record, finds as material fact:

1. On April 27, 2015, Respondent submitted an online assistance application requesting FAP benefits and health care coverage. [Exhibit 1, pp. 11-35].

2. Respondent, on the assistance application, certified that he has received and understands his rights and responsibilities concerning the lawful and proper use of FAP benefits. [Exh. 1, p. 18].
3. The Department's OIG alleges that Respondent was "identified for multiple card replacements resulting in his account being frozen and director's meeting required in order to get his new Bridge card per policy." Respondent was interviewed by an OIG Agent and allegedly was not cooperative and refused to complete the interview. Respondent's Bridge card was reportedly not released to him. [Exh. 1, p. 4].
4. The Department's OIG contends that Respondent is homeless and that his case was closed "due to FEE at this time for non-compliance with circuit court probation and he has not reapplied." [Exh. 1, p. 4].
5. The Department's OIG alleges that there "long periods of non-use where benefits built up on the card and then were rapidly spent. At one point, almost \$ [REDACTED] built up on the card and it was spent within 10 days. That is consistent for trafficking and not normal single homeless man usage." The Department OIG further contends that "[t]here are large back to back transactions as well as multiple trips to the store in one day zeroing out the card which is consistent with trafficking. Agent feels there is clear and convincing evidence this card has been misused and an OI has occurred in this case." [Exh. 1, p. 5].
6. The Department's OIG filed a hearing request on August 31, 2016 to establish an OI of benefits received by Respondent as a result of Respondent having allegedly committed an IPV.
7. The Department's OIG has requested that Respondent be disqualified from receiving program benefits.
8. The OIG contends that Respondent's EBT card, based on the nature of the transactions, was used fraudulently and in a manner indicative of FAP trafficking.
9. Respondent was aware that it was unlawful to buy or sell FAP benefits for cash or consideration other than eligible food.
10. Respondent had no apparent physical or mental impairment that would limit the understanding or ability to comply with the policies and/or laws that govern FAP benefits.
11. The Department's OIG indicates that the time period they are considering the fraud period is September 1, 2011, through September 30, 2012 (fraud period).
12. During the alleged fraud period, Respondent is alleged to have trafficked \$ [REDACTED] in FAP benefits.

13. The Department alleges that Respondent received an OI of FAP benefits in the amount of \$ [REDACTED]
14. This was Respondent's first alleged FAP IPV.
15. 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 Bridges Administrative Manual (BAM), the Bridges Eligibility Manual (BEM), and the 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-.3011.

#### **Intentional Program Violation**

An Intentional Program Violation (IPV) is a benefit overissuance (OI) resulting from the willful withholding of information or other violation of law or regulation by the client or his/her authorized representative. See Bridges Program Glossary (BPG) at page 24. When a client group receives more benefits than they are entitled to receive, the Department must attempt to recoup the OI. BAM 700, (1-1-2016) p. 1.

An IPV is suspected for a client who is alleged to have trafficked or is trafficking FAP benefits. BAM 720, (1-1-2016) p. 1. "Trafficking" is the buying or selling of FAP benefits for cash or consideration other than eligible food. BAM 700, p. 1.

A person who knowingly uses, transfers, acquires, alters, purchases, possesses, presents for redemption or transports food stamps or coupons or access devices other than as authorized by the food stamp act is guilty of trafficking. See 7 U.S.C. §§ 2011 to 2030, BEM 203, (10-1-2015) pp. 2-3, MCL 750.300a. This includes voluntary transfer of Electronic Benefit Transfer (EBT) or "Bridge" cards and/or FAP benefits to any person outside of the FAP group. FAP recipients cannot sell, trade, or give away their FAP benefits, Personal Identification Number (PIN) or Michigan EBT card. FAP benefits must be used by household members to purchase eligible food for the household. 7 C.F.R. §274.7.

FAP recipients are precluded from purchasing eligible food items on credit and paying for the items using their EBT or Bridge card. FAP benefits shall not be used to pay for any eligible food purchased prior to the time at which the EBT card is presented to the

authorized retailer or used to pay for eligible food in advance of the receipt of the food. 7 C.F.R. §274.7.

A person is disqualified from FAP when an administrative hearing decision, a repayment and disqualification agreement or court decision determines FAP benefits were trafficked. BEM 203, pp. 2-3. These FAP trafficking disqualifications are a result of: (1) fraudulently using, transferring, altering, acquiring, or possessing coupons, authorization cards, or access devices; or (2) redeeming or presenting for payment coupons known to be fraudulently obtained or transferred. BEM 203, p. 3.

### **Clear and Convincing Evidence**

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 Michigan Civil Jury Instruction (Mich Civ JI) 8.01.

The Department has the burden of establishing by clear and convincing evidence that the Respondent committed an IPV. The clear and convincing evidence standard, which is the most demanding standard applied in civil cases, is established where there is evidence so clear, direct and weighty and convincing that a conclusion can be drawn without hesitancy of the truth of the precise facts in issue. *Smith v Anonymous Joint Enterprise*, 487 Mich 102; 793 NW2d 533 (2010), reh den 488 Mich 860; 793 NW2d 559 (2010).

Clear and convincing proof is that which produces in the mind of the trier of fact a firm belief or conviction as to the truth of the precise facts in issue. Evidence may be uncontroverted and yet not be clear and convincing. Conversely, evidence may be clear and convincing even if contradicted. *Id.*

This Administrative Law Judge has carefully considered and weighed the testimony and other evidence in the record. Based on this record, Respondent has engaged in some suspicious transactions using his EBT card. The fact that he rapidly spent down his balance or repeatedly had his EBT card replaced is not necessarily trafficking. Simply because Respondent's EBT history of transactions during the period in question may be suspicious, it does not follow that he was engaged in FAP trafficking. The clear and convincing evidence on this record does not show that Respondent either bought or sold FAP benefits for cash or consideration other than eligible food. The evidence is also not clear and convincing that Respondent fraudulently used, transferred, altered, acquired, or possessed coupons, authorization cards, or access devices in violation of law. Similarly, the evidence is not clear and convincing that Respondent redeemed or presented for payment coupons known to be fraudulently obtained or transferred.

The undersigned is aware that the Department issued an internal memorandum on or about May 19, 2014, which indicates that the issuance of four or more EBT cards has been shown to be a potential indicator of fraud and abuse of FAP benefits, however, this does not mean that a person is guilty of FAP trafficking. Therefore, this Administrative Law Judge finds that the Department's OIG Agent failed to establish with clear and convincing evidence that Respondent was guilty of FAP trafficking.

Consequently, this Administrative Law Judge concludes that the Department's OIG has failed to establish that Respondent committed an intentional program violation with respect to the FAP program.

### **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.

An individual who is found guilty of a FAP IPV is 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.

Based on the Findings of Fact above, the Department has not shown that Respondent was guilty of his first IPV concerning FAP benefits. The Department has also not shown that Respondent received an OI of FAP benefits. According to BAM 700, the Department may recoup this OI.

Therefore, this Administrative Law Judge therefore concludes that the Department has not shown, by clear and convincing evidence, that Respondent committed an intentional violation of the FAP program resulting in an OI of FAP benefits.

### **DECISION AND ORDER**

The Administrative Law Judge, based upon the above Findings of Fact and Conclusions of Law, concludes that:

1. Respondent did not commit an IPV due to FAP trafficking.
2. Respondent did not receive an OI of FAP benefits in the amount of \$ [REDACTED]

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

It is FURTHER ORDERED that Respondent shall not be disqualified from FAP benefits for a period of 12 months relating to the instant matter.

CAP/mc



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**C. Adam Purnell**  
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

**DHHS**

[REDACTED]

**Petitioner**

[REDACTED]

**Respondent**

[REDACTED]