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GOVERNOR

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

SHELLY EDGERTON
DIRECTOR



Date Mailed: April 27, 2017
MAHS Docket No.: 16-016496
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 April 13, 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. The Department's OIG filed a hearing request on October 17, 2016, 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. In March 2015, the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) conducted an investigation of [REDACTED] ("the store"), located at [REDACTED]. [Exh. 1, pp. 30-41].
4. The store is a convenience store/bakery which sells cakes, cookies, dairy products, fruit juice, vegetables, meats, breads, cereals, soda, beer and wine. The store had a limited supply of food items with no shopping carts or shopping baskets. [Exh. 1, pp. 30-41].
5. The USDA-FNS investigation revealed that records from the store showed Electronic Benefit Transfer (EBT) transactions that demonstrated a pattern of unusual, irregular, and inexplicable activity for the size, inventory, and layout of the store. [Exh. 1, pp. 42-44].
6. Following the investigation, the USDA-FNS determined that the store was engaged in trafficking of FAP benefits during the calendar year of 2013 through 2014. This was due to suspicious transactions that consisted of large dollar amounts (greater than \$ [REDACTED] for single transactions. [Exh. 1, pp. 42-44].
7. In March 2015, the USDA-FNS permanently disqualified the store from participation in the Supplemental Nutrition Assistance Program ("SNAP" also known as "FAP"). [Exh. 1, pp. 45-46].
8. Respondent was a recipient of FAP benefits issued by the Department. [Exh. 1, pp. 11-15].
9. The OIG contends that Respondent's EBT card was used at the store and that, based on the nature of the transactions, was used fraudulently and in a manner indicative of FAP trafficking. [Exh. 1, pp. 16-25].
10. Respondent was aware that it was unlawful to buy or sell FAP benefits for cash or consideration other than eligible food. [Exh. 1, pp. 47-62].
11. 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.
12. The Department's OIG indicates that the time period they are considering the fraud period is March 2, 2013, through December 11, 2014 (fraud period).
13. During the alleged fraud period, Respondent is alleged to have trafficked \$ [REDACTED] in FAP benefits.

14. The Department alleges that Respondent received an OI of FAP benefits in the amount of \$ [REDACTED]
15. This was Respondent's first alleged FAP IPV.
16. 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.

The OI amount for trafficking-related IPVs is the value of the trafficked benefits as determined by: (1) the court decision; (2) the individual's admission; or (3) 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. BAM 720, p. 8. This can be established through circumstantial evidence. BAM 720, p. 8.

Clients who commit an IPV are disqualified for a standard disqualification period except when a court orders a different period. BAM 720, p. 16. Clients are disqualified for periods of 1 (one) year for the first IPV, 2 (two) years for the second IPV, a lifetime disqualification for the third IPV, and 10 (ten) years for a concurrent receipt of benefits. BAM 720, p.16. If the court does not address disqualification in its order, the standard period applies. BAM 720, p.16.

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.*

Here, the Department's OIG Agent contends that Respondent is guilty of an IPV because she engaged in multiple high dollar purchases at a store that was found to be engaged in FAP trafficking during the alleged fraud period. Respondent did not appear at the hearing to dispute the Department OIG Agent's contentions.

This Administrative Law Judge has carefully considered and weighed the testimony and other evidence in the record. The following is the Administrative Law Judge's findings based on the clear and convincing evidence on the whole record.

Based upon the above Findings of Fact, [REDACTED] ("the store") was engaged in "the buying or selling of FAP benefits for cash or consideration other than eligible food" as defined by BAM 700. This is supported by the United States Department of Agriculture (USDA) investigation report which indicated that the store was a small convenience store/bakery or party store with limited eligible food stock items that was not equipped with shopping baskets or carts for patrons to carry out eligible food items. [Exh. 1, pp. 26-46]. The USDA also found that the store lacked sufficient eligible food items in its inventory to support high dollar transactions (greater than \$ [REDACTED] per transaction) using Electronic Benefit Transfer (EBT) cards. [Exh. 1, pp. 26-46].

Based on the above Findings of Fact, the Department has shown by clear and convincing evidence that Respondent's EBT card was used at the store during the fraud period. [Exh. 1, pp. 16-25]. This supported by the record evidence which revealed that Respondent engaged in fraudulent transactions at the store during the fraud period. [Exh. 1, pp. 16-25]. Respondent engaged in several transactions that exceeded \$ [REDACTED] at the store, which was not equipped to provide items to support such large transactions. The store did not have bags or carts for shoppers to carry out the inventory from the store after it was purchased. [Exh. 1, pp. 16-25, 26-46]. The record shows that Respondent knowingly used, transferred, acquired, altered, purchased, possessed, presented for redemption or transported FAP benefits or an EBT/Bridge card in violation of the federal food stamp act. [Exh. 1, pp. 16-25]. The record shows that Respondent received documentation which contained instructions regarding the lawful and proper use of the EBT card, PIN and FAP benefits. [Exh. 1, pp. 47-62]. Therefore, Respondent was aware that fraudulent participation in FAP could result in criminal or civil or administrative claims.

This Administrative Law Judge finds that the evidence is clear and convincing that Respondent was guilty of FAP trafficking during the fraud period. Accordingly, the Department OIG Agent has established that Respondent committed an IPV 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. 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.

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 shown that Respondent was guilty of her first IPV concerning FAP benefits. The Department has also shown that Respondent received an OI of FAP benefits. According to BAM 700, the Department may recoup this OI.

This Administrative Law Judge therefore concludes that the Department has shown, by clear and convincing evidence, that Respondent committed an intentional violation of the FAP program resulting in a total \$ [REDACTED] overissuance. The Department has also shown that this is Respondent's first FAP IPV. Consequently, the Department's request for FAP program disqualification and full restitution must be granted.

DECISION AND ORDER

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


1. Respondent did commit an IPV due to FAP trafficking.
2. Respondent did receive an OI of FAP benefits in the amount of \$ [REDACTED]

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

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.

CAP/mc



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]