



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: June 13, 2017
MAHS Docket No.: 17-000977
Agency No.: [REDACTED]
Petitioner: OIG
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 present for the hearing and represented herself.

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 changes in criminal justice disqualifications.
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]; and [REDACTED], (fraud periods).
7. During the fraud period, Respondent was issued \$ [REDACTED] in FAP benefits by the State of Michigan; and the Department alleges that Respondent was entitled to \$ [REDACTED] in such benefits during this time period.
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 U.S. 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 January 1, 2016, the Department's OIG requests IPV hearings for the following cases:

- Willful overpayments of \$500 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 (January 2016), pp. 12-13; ASM 165 (August 2016), pp. 1-2.

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 2016), 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 alleges that Respondent committed an IPV of her FAP benefits because she failed to notify the Department of her spouse's, [REDACTED], prior drug-felony convictions in which both offenses occurred after August 22, 1996.

An individual convicted of a felony for the use, possession, or distribution of controlled substances two or more times in separate periods will be permanently disqualified if both offenses occurred after August 22, 1996. BEM 203 (July 2014 and January 2015), p. 2.

First, the Department argued that the spouse was convicted of a felony on or about [REDACTED]; and [REDACTED], for the use, possession, or distribution of controlled substances two or more times in separate periods and in which both offenses occurred after August 22, 1996. [Exhibit A, pp. 100-103.]

Second, the Department presented Respondent's online application dated [REDACTED] [REDACTED]; and [REDACTED], which was submitted during the alleged fraud periods. [Exhibit A, pp. 12-70 and 77-98.] In the applications, Respondent marked "no" to the questions that asked if the spouse had been convicted of a drug felony, even though the Department argued that the spouse had two drug-related felonies at the time. [Exhibit A, pp. 20, 58, 87, and 100-103.]

Third, the Department presented Respondent's Redetermination received on [REDACTED] [REDACTED] which was submitted during the alleged fraud periods. [Exhibit A, pp. 71-76.] In the Redetermination, Respondent did not answer the drug-related felony questions. [Exhibit A, p. 75.]

Fourth, the OIG Investigation Report (OIG report) indicated that Respondent previously applied for benefits on [REDACTED], and [REDACTED], in which she did accurately report that her spouse had been convicted of a drug felony. [Exhibit A, p. 4.] However, the OIG agent indicated that the [REDACTED] and [REDACTED] applications did not ask the question if the spouse had been convicted more than once. The OIG report also indicated that on an application received on [REDACTED], Respondent did report that the spouse had multiple drug felony convictions. [Exhibit A, p. 4.]

Fifth, the OIG report also indicated that Respondent spoke to the agent by telephone on [REDACTED], in which the following was documented: (i) she stated she made an error when she submitted the applications where she denied that the spouse had been convicted of a drug felony; and (ii) she stated she did inform her caseworker when her spouse had been released from prison but did not report that he had multiple drug felony convictions. [Exhibit A, p. 4.]

At the hearing, Respondent did not dispute her spouse's drug-related felony questions. She testified she did not intend to commit an IPV of FAP benefits. She testified that it was an honest mistake on the applications when she did not indicate her spouse's drug-

related convictions. She married her spouse in [REDACTED] but met at the end of [REDACTED] or early [REDACTED]. She testified that her caseworker was aware that her spouse was being released from prison for a drug conviction.

Based on the foregoing information and evidence, the Department has failed to establish by clear and convincing evidence that Respondent committed an IPV of FAP benefits.

First, the evidence established that the spouse was convicted of a felony on or about [REDACTED]; and [REDACTED], for the use, possession, or distribution of controlled substances two or more times in separate periods and in which both offenses occurred after August 22, 1996. [Exhibit A, pp. 100-103.]

Second, although the evidence established that the spouse had been convicted of two or more drug felonies, the undersigned Administrative Law Judge (ALJ) finds that Respondent did not intentionally commit a violation of the FAP program. The Department's position is that Respondent intentionally withheld or misrepresented her spouse's prior drug-felony convictions. However, in order to establish that a client has committed an IPV, the Department must establish that the client "committed, and intended to commit, an IPV." BAM 720, p. 1; 7 CFR 273.16(c); and 7 CFR 273.16(e)(6). The undersigned finds Respondent's testimony credible that she mistakenly marked "no" to the drug-related felony questions on the applications and/or failure to answer the question. [Exhibit A, pp. 20, 58, 75, and 87.] Respondent's testimony is supported by the OIG report, which stated that Respondent reported on two applications, submitted prior to the alleged fraud period, in which she reported that her spouse had been convicted of a drug felony. [Exhibit A, p. 4.] This shows to the undersigned that she is not intentionally withholding or misrepresenting her spouse's drug-related felony convictions because she has previously reported it to the Department. In fact, the OIG report stated that she eventually reported her spouse's multiple drug-felonies on an application submitted towards the end of the alleged fraud period. This evidence also shows that Respondent did not intentionally withhold or misrepresent her spouse's prior drug-felony convictions as she eventually reported it to the Department.

Accordingly, the undersigned finds that Respondent's testimony credibly established that she did not intend to commit a violation of the FAP program. Therefore, in the absence of any clear and convincing evidence that Respondent intentionally withheld or misrepresented her spouse's criminal justice disqualification for the purpose of establishing, maintaining, increasing or preventing reduction of her FAP program benefits or eligibility, the Department has failed to establish that Respondent committed an IPV of 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 (October 2016), p. 1. Clients are disqualified for 10 years for an 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 not satisfied its burden of showing that Respondent committed an IPV concerning FAP benefits. Therefore, Respondent is not subject to a disqualification under the FAP program. BAM 720, p. 16.

Overissuance

As stated above, there was no IPV committed in this case. Furthermore, although Respondent had reported her spouse's drug felony convictions on two prior applications submitted before the OI period, Respondent still failed to report that her spouse had been convicted of two or more drug felonies on the applications dated [REDACTED]; [REDACTED]; and [REDACTED]. [Exhibit A, pp. 4, 20, 58, 87, and 100-103.] Therefore, the Department can still proceed with recoupment of the OI when there is client error.

A client/provider error overissuance is when the client received more benefits than he/she was entitled to because the client/CDC provider gave incorrect or incomplete information to the Department. BAM 715 (January 2016), p. 1.

A client error overissuance is present in this situation because Respondent failed to notify the Department of her spouse's two or more drug-related felonies that would have permanently disqualified him from FAP eligibility. See BEM 203, p. 2. Consequently, the spouse was not eligible for FAP benefits and Respondent was overissued FAP benefits for any period the spouse was ineligible to receive FAP benefits.

Accordingly, the Department is entitled to recoup \$ [REDACTED] of FAP benefits it issued to Respondent for the OI periods of [REDACTED]; and [REDACTED]. [Exhibit A, pp. 134-153, and BAM 715, pp. 6-7.]

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 not** 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.

EJF/jaf



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]

Respondent

[REDACTED]
[REDACTED]
[REDACTED]

DHHS

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
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