



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: July 3, 2017
MAHS Docket No.: 17-005287
Agency No.: [REDACTED]
Petitioner: OIG
Respondent: [REDACTED]

ADMINISTRATIVE LAW JUDGE: Christian Gardocki

**HEARING DECISION FOR INTENTIONAL PROGRAM VIOLATION AND
OVERISSUANCE**

Upon the request for a hearing by the Michigan Department of Health and Human Services (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 45 CFR 235.110; and with Mich Admin Code, R 400.3130 and 400.3178. After due notice, a telephone hearing was held on June 5, 2017 from Detroit, Michigan. The Michigan Department of Health and Human Services (MDHHS) was represented by [REDACTED], regulation agent, with the Office of Inspector General. Respondent appeared and was not represented.

ISSUES

The first issue is whether MDHHS established Respondent received an overissuance (OI) of benefits.

The second issue is whether MDHHS established that Respondent committed an intentional program violation (IPV).

FINDINGS OF FACT

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

1. Respondent was an ongoing recipient of Food Assistance Program (FAP) benefits from the State of Michigan.
2. From July 3, 2014, through February 12, 2015, Respondent received employment income from an employer (hereinafter "Employer").

3. From December 27, 2014, through April 4, 2015, Respondent received unemployment compensation benefits (UCB).
4. Respondent did not timely report employment or unemployment income to MDHHS.
5. Respondent's failure to timely report income was not clearly and convincingly purposeful.
6. Respondent received an OI of \$[REDACTED] in FAP benefits from September 2014 through March 2015 as a result of unreported income.
7. On April 26, 2017, MDHHS requested a hearing to establish Respondent committed an IPV and received an OI of \$[REDACTED] in FAP benefits for the months from September 2014 through March 2015.

CONCLUSIONS OF LAW

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. MDHHS (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. MDHHS policies are contained in the Bridges Administrative Manual (BAM), Bridges Eligibility Manual (BEM), and Reference Tables Manual (RFT).

MDHHS requested a hearing, in part, to establish Respondent received an overissuance of benefits. MDHHS presented an unsigned Intentional Program Violation Repayment Agreement (Exhibit 1, pp. 6-7) dated April 26, 2017. The document alleged Respondent received an over-issuance of \$[REDACTED] in FAP benefits from September 2014 through March 2015. The document, along with MDHHS testimony, alleged the OI was based on Respondent's failure to timely report the start of income.

When a client group receives more benefits than it is entitled to receive, MDHHS must attempt to recoup the overissuance. BAM 700 (January 2016), p. 1. An overissuance [bold lettering removed] is the amount of benefits issued to the client group or CDC provider in excess of what it was eligible to receive. *Id.* Recoupment [bold lettering removed] is a MDHHS action to identify and recover a benefit overissuance. *Id.*, p. 2.

Clients must report changes in circumstance that potentially affect eligibility or benefit amount. BAM 105 (May 2012), p. 7. Changes [in income] must be reported within 10 days of receiving the first payment reflecting the change. *Id.*

MDHHS presented a Wage Match Client Notice (Exhibit 1, pp. 49-50) which included an attachment of Respondent's income with Employer (Exhibit 1, p. 51). Various biweekly pays from July 3, 2014, through February 12, 2015, were listed

MDHHS presented Respondent's unemployment income history (Exhibit 1, pp. 52-54). Various biweekly pays from December 27, 2014, through April 4, 2015, were listed.

MDHHS presented Respondent's FAP benefit issuance history (Exhibit 1, p. 70) from September 2014 through March 2015. A monthly issuance of \$ [REDACTED] was listed for September 2014. Monthly issuances of \$ [REDACTED] were listed for benefit months from October 2014 through March 2015.

MDHHS presented an Issuance Summary (Exhibit 1, p. 55) and corresponding FAP overissuance budgets (Exhibit 1, pp. 56-69) from September 2014 through March 2015. The budgets factored, in part, Respondent's FAP benefit issuances as stated on Respondent's FAP issuance history. The budgets also factored Respondent's pays as listed on the Wage Match Client Notice and earning statements. A total OI of \$ [REDACTED] was calculated.

MDHHS policy categorizes overissuances into 3 different types: client error, agency error, and intentional fraud (see BAM 700). Client and Agency errors are not pursued if the estimated amount is less than \$ [REDACTED] per program. BAM 700, p. 9.

The above policy allows MDHHS to pursue an OI no matter which party was at fault (assuming an OI of \$ [REDACTED] or more is established). The OI budgets, as presented, can only be found accurate if it is found Respondent is at fault for the OI.

Presented OI budgets factored Respondent's income with Employer as unreported. Factoring employment income as unreported deprives clients from receipt of a 20% employment income credit (see BEM 556). The analysis will proceed to determine if Respondent reported income from Employer.

MDHHS alleged Respondent failed to timely report employment income to MDHHS, in part, based on the absence of income budgeted from Employer as part of Respondent's FAP benefit issuances during the alleged OI period. The allegation was also based on the lack of correspondence and/or documentation from Respondent concerning employment and/or unemployment income within Respondent's casefile. The presented evidence was not definitive evidence that Respondent failed to timely report employment income, however, Respondent did not allege differently.

Presented evidence was indicative that Respondent did not timely report employment income from Employer. Thus, MDHHS properly deprived Respondent of the 20% employment income credit.

Presented evidence sufficiently verified Respondent's lack of reporting caused an OI of benefits during the alleged OI period. Presented evidence established that MDHHS correctly calculated the OI to be \$ [REDACTED]. The analysis will proceed to determine if Respondent's non-reporting amounted to an IPV.

The Code of Federal Regulations defines an IPV. Intentional program violations 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. 7 CFR 273.16 (c).

[An IPV is a] benefit overissuance resulting from the willful withholding of information or other violation of law or regulation by the client or his authorized representative. Bridges Program Glossary (October 2015), p. 36. A 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 their reporting responsibilities.

BAM 720 (January 2016), p. 1; see also 7 CFR 273(e)(6).

IPV is suspected when there is **clear and convincing** [emphasis added] evidence that the client or CDC provider has intentionally withheld or misrepresented information for the purpose of establishing, maintaining, increasing or preventing reduction of program benefits or eligibility. *Id.* 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. It is a standard which requires reasonable certainty of the truth; something that is highly probable. Black's Law Dictionary 888 (6th ed. 1990).

MDHHS alleged Respondent failed to report to MDHHS the start of employment income; this was established. By alleging an IPV, MDHHS essentially contended that Respondent's failure was purposeful.

MDHHS presented Respondent's Assistance Application requesting FAP benefits (Exhibit 1, pp. 11-34). Respondent's handwritten signature was dated April 10, 2014. The application stated Respondent's signature was certification that an Informational Booklet was received, reviewed; the Informational Booklet is known to inform clients of the requirement to report changes within 10 days of starting income. Respondent listed that unemployment benefits were pending. No employment income was reported. MDHHS did not allege that Respondent misreported information in the application.

MDHHS presented a Notice of Case Action (Exhibit 1, pp. 35-40) and Change Report (Exhibit 1, pp. 41-42). Both documents were dated April 11, 2014. Both documents included boilerplate language informing clients to report changes within 10 days after the occurrence of a change affecting benefit eligibility.

MDHHS presented Respondent's Redetermination (Exhibit 1, pp. 43-48) for FAP benefits. Respondent's handwritten signature was dated March 2, 2015. Respondent listed employment income, though a start date was not indicated. Unemployment income was not reported.

Respondent testified that he may not have reported all income to MDHHS, but he had no intent to deceive MDHHS. Respondent's testimony was somewhat supported by presented evidence.

Respondent's Redetermination responses are notable for not reporting unemployment income. Generally, a failure to report income on a reporting document is indicative of a fraudulent intent. On the other hand, Respondent can be credited for previously reporting to MDHHS that he had a pending unemployment benefit claim.

It is notable that Respondent's written misreporting concerning unemployment benefits did not directly cause an OI of benefits. Had Respondent reported unemployment benefits on the Redetermination, MDHHS could not have affected Respondent's eligibility until April 2016. April 2016 is not a month from the established OI period.

Respondent's failure to list a start date of employment on the Redetermination is somewhat indicative of deception. The failure could be interpreted as Respondent's attempt to shield when he began to receive employment income. On the other hand, the action could have been an innocent oversight.

MDHHS did not present verification of a written misreporting by Respondent that directly led to an OI of benefits. Generally, MDHHS will have difficulty in establishing a clear and convincing purposeful failure to report information when there is not verification of misreporting causing an OI. Presented evidence was not persuasive in overcoming the general rule.


It is found MDHHS failed to clearly and convincingly establish that Respondent committed an IPV. Accordingly, it is found MDHHS may not proceed with imposing an IPV disqualification against Respondent.

DECISION AND ORDER

The administrative law judge, based upon the above findings of fact and conclusions of law, finds that MDHHS established that Respondent received \$████ in over-issued FAP benefits from September 2014 through March 2015. The MDHHS request to establish an overissuance is **APPROVED**.

The administrative law judge, based upon the above findings of fact and conclusions of law, finds that MDHHS failed to establish that Respondent committed an IPV related to an OI of FAP benefits due to unreported income for the months from September 2014 through March 2015. The MDHHS request to establish Respondent committed an IPV is **DENIED**.

CG/hw



Christian Gardocki

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]