



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
LANSING

SHELLY EDGERTON  
DIRECTOR



Date Mailed: July 13, 2018  
MAHS Docket No.: 18-005137  
Agency No.: [REDACTED]  
Petitioner: OIG  
Respondent: [REDACTED]

**ADMINISTRATIVE LAW JUDGE:** John Markey

### **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 Title 7 of the Code of Federal Regulation (CFR), particularly 7 CFR 273.16. After due notice, a telephone hearing was held on July 10, 2018, from Lansing, Michigan. The Department was represented by Philip Guliani, Regulation Agent of the Office of Inspector General (OIG). Respondent did not appear. The hearing was held in Respondent's absence pursuant to 7 CFR 273.16(e). During the hearing, 38 pages of documents were offered and admitted into evidence as Department's Exhibit A, pages 1-38.

### **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 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. Respondent filed with the Department an application for FAP benefits on July 28, 2015.

2. As part of the application process, Respondent certified that he received, reviewed, and understood the information contained within the DHS publication titled "Important Things to Know" (also known as DHS-Pub-1010).
3. DHS-PUB-1010 advised Respondent that trading or selling FAP benefits was considered FAP trafficking and that such action violated the law and if proven, would result in criminal and/or civil penalties, including disqualification from the program.
4. Respondent did not have any apparent physical or mental impairment that would limit his understanding or ability to fulfill his responsibilities to the Department.
5. On February 17, 2017, the Department issued a lump sum of \$3,120.00 to Respondent's EBT card.
6. From February 18, 2017, through February 20, 2017, Respondent made 20 purchases bringing Respondent's balance from over \$3,120.00 to under \$1,000.00.
7. Because of the large amount spent and excessive number of transactions over such a short period of time, the Department flagged Respondent's account and began an investigation.
8. Mr. Guliani reviewed Respondent's purchase history and concluded that sufficient evidence existed to allege an IPV against Respondent for engaging in fraudulent trafficking of FAP benefits.
9. The Department's OIG filed a hearing request on May 16, 2018, to establish an OI of benefits received by Respondent as a result of Respondent having allegedly committed an IPV by engaging in seven fraudulent transactions from February 18, 2017, through February 20, 2017, totaling \$656.00.
10. This was Respondent's first alleged IPV.
11. The OIG requested that Respondent be disqualified from receiving FAP benefits for a period of one year.
12. The Department's OIG indicates that the time period it is considering the fraud period is February 1, 2017, through February 28, 2017 (fraud period).
13. A notice of hearing was mailed to Respondent at the last known address and was returned by the United States Postal Services as undeliverable.
14. During the hearing, the Department presented sufficient competent evidence to show that the seven involved transactions from February 18, 2017, through February 20, 2017, totaling \$656.00 were fraudulent.

## **CONCLUSIONS OF LAW**

Department policies are contained in the Department of Health and Human Services Bridges Administrative Manual (BAM), Bridges Eligibility Manual (BEM), 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.

### **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 720, p. 1.

An IPV is also suspected for a client who is alleged to have trafficked FAP benefits. BAM 720, p. 1. Trafficking includes not only the improper purchase, sale, or use of FAP benefits, but also the attempt to purchase, sell, or use FAP benefits for consideration other than eligible food. BAM 700, p. 2. Trafficking may be established by circumstantial evidence and can be inferred from the evidence with facts which are inconsistent with an honest person. See *Foodland Distributors v Al-Naimi*, 220 Mich App 453 (1996), p 381. In order to sustain an IPV for trafficking, the Department must prove by clear and convincing evidence that the client intentionally committed an act involving the unlawful transfer or attempted transfer of FAP benefits. BAM 720, p. 1; 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 addition, 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 of 1977, is guilty of the crime of Food Assistance Program (FAP) trafficking. MCL 750.300(a).

In this case, the Department has established that Respondent was aware that misuse of his FAP benefits is a violation of state and federal laws for which he may be disqualified from the program, fined, and incarcerated, amongst other potential penalties. Further, the Department made the Respondent aware that it was unlawful to allow non-group members to use his card or exchange his FAP benefits for anything other than eligible food.

Despite being made aware of the requirements and penalties for noncompliance, the evidence clearly shows Respondent engaged in the fraudulent trafficking of his FAP benefits from February 18, 2017, through February 20, 2017. After receiving a lump sum of \$3,120.00 on his EBT card, Respondent almost immediately engaged in what appears to be a race to spend down the balance.

Over the following three days, Respondent made a series of purchases that give rise to the appearance of impropriety. On each of the three days involved, Respondent made repeated purchases while at one location over a short period of time. The timing of those purchases and large values occurring a very short time after the previous purchases are indicative of trafficking. Respondent did not appear at the hearing to provide any explanations for the highly suspicious purchase pattern engaged in over the three days following the February 17, 2017, lump sum.

I find that the Department has established by clear and convincing evidence that Respondent engaged in FAP trafficking, which constitutes an IPV. The evidence in this case, though circumstantial, leads to only one reasonable conclusion: Respondent received a large infusion of money onto his EBT card and immediately engaged in a fraudulent scheme to convert that balance into other consideration. The timing, frequency, and value of the purchases are incompatible with lawful use of the 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. 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. A disqualified recipient remains a member of an active group as long as he/she lives with them, and other eligible group members may continue to receive benefits. BAM 720, p. 16.

In this case, there is no evidence that Respondent has ever been found to have committed an IPV related to FAP benefits. Thus, this is Respondent's first IPV related to FAP benefits. Therefore, Respondent is subject to a one year disqualification.

### **Overissuance**

For FAP benefits, the measure of an overissuance is the amount of benefits trafficked (stolen, traded, bought or sold) or attempted to be trafficked. BAM 700, pp 1-2,

emphasis added. The undersigned Administrative Law Judge finds that, from February 18, 2017, through February 20, 2017, Respondent trafficked \$656.00 in FAP benefits illegally in violation of BAM 700 and 7 CFR 273.16(c)(2). Thus, the Department is entitled to recoup \$656.00 from Respondent.

### **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 received an OI of FAP benefits in the amount of \$656.00.

The Department is ORDERED to initiate recoupment/collection procedures for the amount of \$656 in accordance with Department policy.

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

JM/bb



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**John Markey**  
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) 763-0155; 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**

Denise McCogle  
27260 Plymouth Rd  
Redford, MI 48239

Wayne County (District 15), DHHS

Policy-Recoupment via electronic mail

M. Shumaker via electronic mail

**Petitioner**

OIG  
PO Box 30062  
Lansing, MI 48909-7562

**Respondent**

[REDACTED]  
MI [REDACTED]