



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
LANSING

SHELLY EDGERTON  
DIRECTOR

[REDACTED]  
[REDACTED]  
[REDACTED] MI [REDACTED]

Date Mailed: September 19, 2018  
MAHS Docket No.: 18-005991  
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 September 18, 2018, from Lansing, Michigan. The Department was represented by Philip Giuliani, Regulation Agent of the Office of Inspector General (OIG). Respondent, [REDACTED], appeared and represented herself. During the hearing, 135 pages of documents were offered and admitted into evidence as Exhibit A, pages 1-135.

**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 was an ongoing FAP recipient. Exhibit A, pp. 110-115.
2. Respondent did not have any mental or physical impairment that would limit her understanding or ability to fulfill her obligations regarding her FAP benefits.

3. At some point, the State of Michigan's Department of Agriculture, the Department's OIG, and the Michigan State Police conducted an investigation of a store named River Rouge Deli, Inc. (RRD). The store also went by the name of Malak Market. It was determined that RRD was engaged in widespread unlawful trafficking of FAP benefits. Exhibit A, pp. 11-79.
4. As a result of finding that RRD engaged in FAP trafficking, the Department conducted an investigation into some of the clients who made purchases at the store.
5. From April 1, 2015, through May 31, 2017, Respondent made 118 purchases at RRD, 26 of which were flagged by the Department as fraudulent due to meeting the Department's definition of an excessively large purchase. Exhibit A, pp. 80-84.
6. On June 14, 2018, the Department's OIG filed a hearing request to establish an OI of benefits received by Respondent as a result of Respondent having allegedly committed an IPV by engaging in 26 fraudulent transactions at RRD from April 1, 2015, through May 31, 2017, totaling \$2,444. Exhibit A, pp. 1-5, 80-84.
7. The Department's OIG indicates that the time period it is considering the fraud period is April 1, 2015, through May 31, 2017. Exhibit A, pp. 1-5.
8. The Department alleges that Respondent received an OI in FAP benefits in the amount of \$2,444. Exhibit A, pp. 1-5.
9. This was Respondent's first alleged IPV, and the OIG requested Respondent be disqualified from receiving FAP benefits for one year. Exhibit A, p. 1.
10. The Notice of Hearing sent to Respondent's most recent address on file was not returned 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.

The Department has alleged that 26 of Respondent's 118 purchases at RRD during the alleged fraud period were instances of trafficking. The Department is seeking an order finding Respondent committed an IPV with respect to FAP and requiring Respondent to repay the amount allegedly trafficked.

### **Intentional Program Violation**

An IPV is suspected for a client who is alleged to have trafficked FAP benefits. BAM 720 (October 1, 2014), page 1.

Trafficking is:

- The buying, selling or stealing of FAP benefits for cash or consideration other than eligible food. Examples would be liquor, exchange of firearms, ammunition, explosives or controlled substances.
- Selling products purchased with FAP benefits for cash or consideration other than eligible food.
- Purchasing containers with deposits, dumping/discarding product and then returning containers to obtain cash refund deposits.

BAM 700 (May 1, 2014), page 2.

An IPV requires that the Department establish by clear and convincing evidence that the client has trafficked FAP benefits. BAM 720, p. 1; see also 7 CFR 273(e)(6). Clear and convincing evidence is evidence which is so clear, direct, weighty, and convincing that it enables a firm belief as to the truth of the allegations sought to be established. *In re Martin*, 450 Mich 204, 227; 538 NW2d 399 (1995) (citing *In re Jobes*, 108 NJ 394 (1987)).

In this case, the Department has not met its burden. The Department did not present sufficient evidence to establish by clear and convincing evidence that Respondent engaged in FAP trafficking at RRD. The Department established that RRD was engaged in widespread fraudulent FAP trafficking and that Respondent completed multiple EBT transactions at RRD that could have constituted trafficking. Based on those facts, the Department arguably established a rebuttable presumption that Respondent engaged in FAP trafficking.

Respondent, however, credibly testified that she only purchased eligible food products at RRD. Furthermore, the inventory available at the store, as shown in Exhibit A, is more than plentiful enough to allow for legitimate purchases, even when those purchases meet an indicia of trafficking or are outliers in terms of total purchase price. The Department had no direct evidence to contradict Respondent's claims that her purchases were legitimate. Respondent's credible and consistent testimony was sufficient to rebut the presumption of trafficking and prevent the forming of a firm belief

that Respondent, in fact, engaged in FAP trafficking. Thus, the Department did not show *by clear and convincing evidence* that Respondent engaged in FAP trafficking.

### **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, pages 15-16. In general, clients are disqualified 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, pages 15-16.

In this case, the Department did not establish that Respondent committed an IPV. Thus, Respondent is not subject to disqualification.

### **Overissuance**

When a client group receives more benefits than entitled to receive, the Department must attempt to recoup the OI. BAM 700, page 1. The OI amount for trafficking-related IPV is the value of the trafficked benefits (attempted or actually trafficked) as determined by: (1) a 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, page 8. This can be established through circumstantial evidence. BAM 720, page 8.

In this case, the Department did not establish that Respondent was overissued benefits because the Department did not establish that Respondent trafficked benefits as alleged by the Department.

## **DECISION AND ORDER**

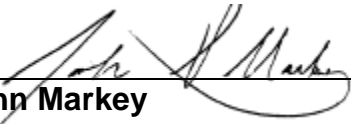
The Administrative Law Judge, based upon the above Findings of Fact and Conclusions of Law, and for the reasons stated on the record, if any, concludes that:

1. The Department has not established by clear and convincing evidence that Respondent committed an IPV.
2. Respondent did not receive an OI of FAP benefits.
3. Respondent is not subject to disqualification from receiving FAP benefits.

IT IS ORDERED that the Respondent is not disqualified from receiving FAP benefits.

IT IS FURTHER ORDERED that the Department shall delete the alleged FAP overissuance.

JM/dh

  
**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**

Jeanette Cowens  
2524 Clark Street  
Detroit, MI 48209

Wayne County (District 41), DHHS

Policy-Recoupment via electronic mail

M. Shumaker via electronic mail

**Petitioner**

OIG  
PO Box 30062  
Lansing, MI 48909-7562

**Respondent**

[REDACTED]  
[REDACTED]  
[REDACTED] MI [REDACTED]