



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
MICHIGAN ADMINISTRATIVE HEARING SYSTEM

SHELLY EDGERTON  
DIRECTOR

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

Date Mailed: December 11, 2018  
MAHS Docket No.: 18-009441  
Agency No.: [REDACTED]  
Petitioner: OIG  
Respondent: [REDACTED] [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 December 11, 2018, from Lansing, Michigan. The Department was represented by Darren Bondy, Regulation Agent of the Office of Inspector General (OIG). Respondent appeared and represented herself. During the hearing, 172 pages of documents were offered and admitted as Department's Exhibit A, pp. 1-172.

**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 had an open FAP case with the Department. On September [REDACTED] 2016, the Department issued to Respondent a Redetermination in order to gather relevant information regarding Respondent's ongoing eligibility for FAP benefits. Exhibit A, pp. 11-16.

2. On October █ 2016, Respondent returned to the Department the completed Redetermination. Exhibit A, pp. 11-16.
3. By signing the Redetermination, Respondent certified that she had received, reviewed, and agreed with the information in the assistance application Information Booklet, including the Important Things to Know publication (DHS-PUB-1010). Exhibit A, p. 11-16.
4. 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. Exhibit A, pp. 154-155.
5. Respondent did not have any mental or physical impairment that would limit her understanding or ability to fulfill her obligations regarding her FAP benefits. Exhibit A, p. 27.
6. At some point, the United States Food and Nutrition Service (FNS) conducted an investigation of a store named SUPER ONE DOLLAR (Super). At the conclusion of the investigation, FNS issued to Super a November 7, 2016, letter informing the store that it was permanently disqualified from FAP as a result of FNS' finding that the store had engaged in FAP trafficking. Exhibit A, pp. 137-138.
7. As a result of FNS' finding that Super engaged in widespread FAP trafficking, the Department conducted an investigation into some of the clients who made purchases at the stores.
8. From November 1, 2014, through November 30, 2016, Respondent made 39 purchases at Super, 19 of which were flagged by the Department as fraudulent due to meeting the Department's criteria for trafficking at that particular store. Exhibit A, pp. 30-32.
9. On █ █ █ 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 19 fraudulent transactions at Super from November 1, 2014, through November 30, 2016, totaling \$ █ Exhibit A, pp. 1-5.
10. The Department's OIG indicates that the time period it is considering the fraud period is November 1, 2014, through November 30, 2016. Exhibit A, pp. 1-5.
11. The Department alleges that Respondent received an OI in FAP benefits in the amount of \$ █ Exhibit A, pp. 1-5.
12. This was Respondent's first alleged IPV, and the OIG requested Respondent be disqualified from receiving FAP benefits for one year. Exhibit A, pp. 1-5, 28-29.

13. 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 19 purchases using Respondent's FAP benefits at Super 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 trafficked.

#### **Intentional Program Violation**

An IPV is suspected for a client who is alleged to have trafficked FAP benefits. BAM 720 (October 2016), p. 1. Trafficking is defined as attempting to buy, sell, or steal FAP benefits for cash or consideration other than eligible food. BAM 700 (October 2016), p. 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 met its burden. After an investigation, FNS determined that Super engaged in wide-ranging fraud with respect to accepting and redeeming FAP benefits. The investigation showed that Super had limited food inventory, no carts or baskets, and other characteristics that would have made it difficult to carry out large transactions. The Department established that Respondent made 19 large EBT transactions at the stores over the course of the alleged fraud period.

During the hearing, the Department presented Respondent's FAP usage history. Besides the 19 transactions in question, Respondent's FAP usage appeared to be ordinary. The transactions in question, however, were far from ordinary. The vast

majority of the purchases ended in an even dollar amount and were for values that were not justifiable by the inventory in the store.

The evidence shows that Respondent engaged in a pattern of suspicious FAP purchases from a store that was proven to be engaged in fraudulent FAP trafficking during the same time. Respondent appeared at the hearing and explained that while she did not make any fraudulent purchases, her husband and other family members made numerous purchases at Super that even she admitted were “fishy.” Respondent did not have any authorized users of her FAP benefits and was responsible for the actions of anyone she improperly authorized to use her benefits. Accordingly, the Department’s evidence presented established by clear and convincing evidence that Respondent engaged in unlawful 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, pp. 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, 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**

When a client group receives more benefits than it is entitled to receive, the Department must attempt to recoup the OI. BAM 700, p. 1. The OI amount for trafficking-related IPV is the value of the trafficked benefits 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, p. 8. In this case, the evidence shows that Respondent completed three transactions that qualified as trafficking. The total value of those three purchases was \$ [REDACTED]. Thus, Respondent was overissued \$ [REDACTED].

## **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:

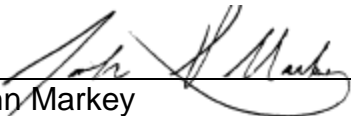
1. The Department established by clear and convincing evidence that Respondent committed an IPV.

2. Respondent received an OI of FAP benefits in the amount of \$ [REDACTED] which the Department is entitled to recoup and/or collect.
3. Respondent shall be disqualified from receiving FAP benefits for a period of one year.

IT IS ORDERED that the Department is authorized to initiate recoupment and/or collection procedures for the amount of \$ [REDACTED] less any amounts already recouped and/or collected.

IT IS FURTHER ORDERED that Respondent is disqualified from receiving FAP benefits for a period of one year.

JM/nr

  
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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**

Kathleen Verdoni  
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Saginaw County DHHS- via electronic  
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**Petitioner**

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**Respondent**

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