



GRETCHEN WHITMER  
GOVERNOR

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

ORLENE HAWKS  
DIRECTOR

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Date Mailed: March 22, 2019  
MAHS Docket No.: 19-000516  
Agency No.: ██████████  
Petitioner: OIG  
Respondent: ██████████

**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 March 11, 2019, from Detroit, Michigan. The Department was represented by ██████████ 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, two sets of documents were offered and admitted into evidence as Exhibit A, pp. 1-79, and Exhibit B, pp. 1-4.

**ISSUES**

1. Did the Department establish, by clear and convincing evidence, that Respondent committed an Intentional Program Violation (IPV) with respect to the Food Assistance Program (FAP)?
2. 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 ██████████, 2013. Exhibit A, pp. 54-55.
2. On ██████████ 2016, Respondent filed with the Department a redetermination form used to determine Respondent's continuing eligibility for FAP benefits. Exhibit A, pp. 56-58.

3. As part of the application and redetermination process, Respondent certified that he had received, read, and understood the rights and responsibilities applicable to FAP. Exhibit A, pp. 54-58.
4. The rights and responsibilities Respondent acknowledged 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. 61-62.
5. Respondent did not have any mental or physical impairment that would limit his understanding or ability to fulfill his obligations regarding his FAP benefits.
6. Respondent was approved for FAP benefits, and the Department issued to Respondent \$171 in FAP benefits the 21<sup>st</sup> of every month from January 2017 through September 2017. Exhibit A, pp. 59-60.
7. At some point, the United States Food and Nutrition Service (FNS) conducted an investigation of a store named [REDACTED]. At the conclusion of the investigation, FNS issued to [REDACTED] an October 3, 2017, 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. 12-45.
8. As a result of FNS' finding that Sana engaged in widespread FAP trafficking, the Department conducted an investigation into some of the clients who made purchases at the stores.
9. From January 21, 2017, through September 21, 2017, Respondent made seven purchases at [REDACTED] all of which were flagged by the Department as fraudulent due to meeting the Department's criteria for trafficking at that particular store. Exhibit A, p. 46.
10. On January 14, 2019, 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 seven fraudulent transactions at [REDACTED] from January 1, 2017, through September 30, 2017, totaling \$983. Exhibit A, pp. 1-10.
11. On or about [REDACTED] 2019, Respondent returned a signed Repayment Agreement, Form 4350, acknowledging that he received an overissuance of FAP benefits from January 1, 2017 through September 30, 2017. Respondent, however, did not acknowledge that it was due to an IPV. Rather, Respondent requested to go forward with a hearing to contest that issue. Exhibit B, pp. 1-4.
12. The Department's OIG indicates that the time period it is considering the fraud period is January 1, 2017, through September 30, 2017. Exhibit A, pp. 1-10.

13. As Respondent signed the Repayment Agreement, Form 4350, the overissuance in this matter has already been established. Exhibit B, pp. 1-4.
14. This was Respondent's first alleged IPV, and the OIG requested Respondent be disqualified from receiving FAP benefits for one year. Exhibit A, pp. 1-10.
15. Respondent did not appear at the hearing to rebut any of the Department's allegations.
16. 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 all seven of Respondent's purchases at [REDACTED] during the alleged fraud period were instances of trafficking. The Department is seeking an order finding Respondent committed an IPV with respect to FAP.

#### **Intentional Program Violation**

An IPV is suspected for a client who is alleged to have trafficked FAP benefits. BAM 720 (January 2016), p. 1. Trafficking is defined as buying, selling, or stealing FAP benefits for cash or consideration other than eligible food or the attempt to do so. BAM 700 (October 2016), p. 2; 7 CFR 271.2.

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 [REDACTED] engaged in wide-ranging fraud with respect to accepting and redeeming FAP benefits. The investigation showed that [REDACTED] had limited food

inventory, no carts or baskets, and a bulletproof barrier that would have made it difficult to carry out large transactions.

During the hearing, the Department presented Respondent's FAP issuance and usage history. Respondent's EBT card was loaded with \$171 in FAP benefits on the 21<sup>st</sup> of each month during the relevant time period. On the 21<sup>st</sup> of seven of the nine months from January to September 2017, Respondent made large and suspicious EBT transactions at [REDACTED], each one ending in an even dollar amount. Thus, the same day the benefits were issued, Respondent made large purchases at a store known to be engaged in widespread FAP trafficking. Furthermore, five of those seven transactions exhausted or nearly exhausted all of Respondent's FAP benefits for the month.

The transactions in question were far from ordinary. The seven purchases were the only transactions Respondent made at [REDACTED] during the fraud period, and they are all highly suspicious. They are all for an excessive amount given the inventory of the store and the other options, and all of them are for an even dollar amount ending in zero cents. After viewing the photographs of the inventory, it seems almost impossible for those purchases to have been legitimate. When combined with the pattern of exhausting the benefits the day they were issued, it is clear that the Department met its burden of showing that Respondent defrauded the Department.

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 did not appear at the hearing to provide any explanation for his EBT transactions at [REDACTED]. Accordingly, the Department's un rebutted testimony and exhibits 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; 7 CFR 273.16(b). 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.

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; 7 CFR 273.18. The OI amount for trafficking-related IPV's 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; 7 CFR 273.18(c)(2). In this case, Respondent admitted to receiving an overissuance of \$983 and signed a Repayment Agreement acknowledging his responsibility to repay the Department.

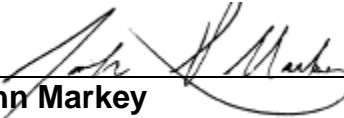
**DECISION AND ORDER**

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 established by clear and convincing evidence that Respondent committed an IPV.
2. Respondent shall be disqualified from receiving FAP benefits for a period of one year.

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

JM/cg

  
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**John Markey**  
Administrative Law Judge  
for Robert Gordon, 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

**Via Email:**

MDHHS-Wayne-18-Hearings  
OIG Hearings  
Recoupment  
MAHS

**Respondent – Via First-Class Mail:**

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