

Stamp Act of 1977 by specifying that "not later than 180 days after the end of the fiscal year [March 29th, or March 28th in leap years], the case review and all arbitrations of State-Federal difference cases shall be completed." Since the Department has concluded that the arbitration process requires a minimum of 45 calendar days to ensure accurate decisions being rendered, it would be necessary for the arbitration process to begin no later than February 12th following the end of the fiscal year in order to insure meeting the March 29th deadline. With the current State agency deadline for final case disposition of January 5th, this would leave FCS a total of 38 days to select the final Federal subsample of cases (approximately 1,580 cases, based on one month, or one twelfth, of the Fiscal Year 1991 Federal sample size of 18,982), accumulate the State agency and local office records necessary for the completion of the Federal reviews, complete the Federal review, and transmit the Federal review findings to the appropriate State agencies. The Department concludes that the deadlines mandated by the Leland Act for case completion (both State agency and Federal reviews) and arbitration cannot be achieved without restructuring the current timeframes for case completion.

The Department proposes to modify the deadline for State agencies to dispose of QC cases and transmit review findings to NCC's IQCS, by requiring that 100 percent of the cases selected for review be disposed of within 90 calendar days of the end of the sample month for which the cases were selected for review. State agencies would continue to be required to dispose of 90 percent of selected cases within 75 calendar days of the end of the sample month for which the cases were selected for review, as provided for in current regulations at 7 CFR 275.21(b)(2). Such a timeframe will result in a final annual deadline for the completion of State agency reviews of December 29th. This will provide FCS with approximately 45 days to complete the Federal case review process and transmit final Federal review findings to the State agencies. While the Department recognizes that the proposed timeframes for case completion may require dedication of additional resources by both State agencies and FCS, only a modification of the case completion timeframes and adherence to them, in conjunction with the redesign of the arbitration process, will allow sufficient time to meet the mandated deadlines contained in the Leland Act. Because of

the importance which accepted statistical practices places on the completion of the maximum possible number of cases sampled for QC review, the Department is proposing to restate, in this section of the regulations, instructions currently contained in 7 CFR 275.12(g).

Disposition of Case Reviews

These instructions specify that without FCS approval a State agency shall not dispose of a case as not completed based solely on the fact that the State agency was unable to complete the case in time to meet the timeframes for the disposal of case reviews.

The Department is also proposing a conforming change to regulations at 7 CFR 273.2(d)(2), *Cooperation with QC Reviewer*. This section of the regulations, published February 17, 1984 (49 FR 6292), currently specifies that food stamp households which refuse to cooperate with a quality control reviewer shall be determined ineligible to participate in the Food Stamp Program until 95 days after the end of the annual QC review period, or until the household cooperates with the QC reviewer (whichever is earlier). This 95 day timeframe was established to correspond to the 95 day timeframe which the State agency has to dispose of QC reviews. Just as QC has a final deadline for the disposal of all reviews for an annual review period of 95 days after the end of the review period, a household which refuses to cooperate with QC is determined ineligible to participate in the Program until 95 days after the end of the annual review period. The Department is proposing to change the period of household ineligibility from 95 to 90 days after the end of the annual review period, in order to correspond to the proposed change to the State agencies timeframes for the disposition of QC reviews. The Department is proposing an additional conforming change to regulations at 7 CFR 273.2(f)(1)(ix). This section of the regulations, published February 4, 1987 (52 FR 3402), deals with the requirement that State agencies verify all factors of eligibility for households which have been terminated for refusal to cooperate with quality control. A reference is made in this section to the period of ineligibility lasting until the 95 day after the end of the annual review period. The Department is proposing to change the reference from 95 to 90 days after the end of the annual review period, in order to correspond to the proposed change to the State agencies timeframes for the disposition of QC reviews.

Variances Excluded From Error Analysis—§ 275.12(d)(2)

Prior to the Leland Act, section 16(c)(3) of the Food Stamp Act specified that any errors resulting from the application of new regulations promulgated under the Act during the first 60 days (or 90 days at the discretion of the Secretary) from the required implementation date of such regulations shall be excluded from the payment error rate. Section 13951 of the Leland Act amends the Act by changing the timeframe for excluding these errors from 60 (or 90) days, to 120 days. In response to this change the Department is proposing a regulatory change at 7 CFR 275.12(d)(2)(vii) to reflect the new timeframe for excluding variances resulting from the promulgation of new regulations.

State Agencies' Liabilities for Payment Error—Fiscal Year 1986 and Beyond—§ 275.23(e)(4)

Current regulations at 7 CFR 275.23(e)(4), published November 27, 1991 (56 FR 60045), specify a payment error rate tolerance level for any fiscal year to be one percentage point added to the lowest national performance measure announced up to and including that fiscal year. A State agency which exceeds this tolerance level is subject to a liability claim equivalent to the difference between the State agency's payment error rate and the tolerance level, multiplied by the total value of the allotments issued in the fiscal year by the State agency. Section 13951 of the Leland Act establishes a new system of payment error rate goals and consequences. The payment error rate tolerance level, beginning in Fiscal Year 1992 and applying to Fiscal Year 1992 and all subsequent fiscal years, is the national performance measure for the fiscal year. The national performance measure continues to be defined as the sum of the products of each State agency's payment error rate times that State agency's proportion of the total value of national allotments issued for the fiscal year using the most recent issuance data available at the time the State agency is notified of its payment error rate. A State agency which exceeds this tolerance level is now subject to a liability claim equivalent to the total value of the allotments issued in the fiscal year by the State agency, multiplied by a factor which is the lesser of (1) the ratio of the amount by which the payment error rate of the State agency for the fiscal year exceeds the national performance measure for the fiscal year, to the national performance measure for the fiscal year,