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Analysis of Quality Assurance Program Data: 2007-08



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Prepared by
David Rhodes and Anne Tuccillo

Business Operations – Internal/External Communications Branch



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Executive Summary

Instead of following federally prescribed verification of the information students supply on their Free Application for Federal Student Aid (FAFSA) form, schools participating in the Quality Assurance Program are empowered to develop their own school procedures for verifying the accuracy of these data.

During the 2007–08 award year, schools participating in the Quality Assurance Program uploaded the records that met one or more of their school’s verification criteria into the ISIR Analysis Tool. The schools uploaded the initial institutional student information record (ISIR) and any changes to students’ ISIR information detected by their own verification procedures. Schools also provided written descriptions of their school verification criteria. Federal Student Aid staff analyzed these data and addressed five research questions.

1. How do Quality Assurance schools select students for verification?

- Schools varied widely in terms of how many criteria they used to select records for verification; the number of criteria ranged from 1 to 59. The average number of criteria schools used was 10. The median was 7.
- Most program participants used parents’ and student’s adjusted gross income in at least one of their selection criteria. At least 30 percent of the schools used each of 9 other ISIR fields to identify students for verification.
- Schools differed in terms of how they used ISIR information to select students for verification. While three quarters of the schools used a specific value of at least one data element to select, no more than half of the schools use any of the other 11 strategies we identified for selecting records for verification.

2. How efficient are school verification strategies?

- A sizable percentage of the records schools selected for verification in 2007-08 did not need to be verified. Half of the selected dependent students and a clear majority of the independent students experienced either zero or only a minor change in aid eligibility.
- Verification efforts that did not result in a major change in aid eligibility were concentrated among the most needy student groups. Only 13 percent of dependent students and 8 percent of independent students with an automatic zero EFC experienced a change to a Pell award when selected for verification.



3. What effect does school verification have upon improper payments in the Pell Grant program?

- School verification prevented over-payments in the Pell Grant program equal to 13.6% of the Pell dollars that would have been awarded based on the information students supplied on their initial application.
- School verification efforts also prevented under-payments in the Pell Grant program that constituted 5.9% of initial Pell eligibility.

4. How effective were school verification strategies in the previous award year 2006-07?

- School verification efforts corrected 69 percent of all potential over-payments in the Pell Grant program.
- School verification efforts corrected 62 percent of all potential under-payments in the Pell Grant program.
- Schools with more verification criteria selected a lower percentage of their applicants for verification than schools with fewer criteria. The greater efficiency of schools with more criteria did not seem to affect their ability to prevent Pell over-awards, but it was associated with a decline in their ability to prevent under-payments in the Pell Grant program.
- Schools that excluded certain classes of students from verification, even if they meet other selection criteria, had lower average levels of unnecessary verification without experiencing the reduced ability to detect Pell under-payments associated with most selection strategies.

5. What types of schools participate in the Quality Assurance Program?

- Roughly three quarters of schools participating in the program are large public four-year universities. The average enrollment of public four-year schools participating in the program was 22,628 during the fall of 2007.
- Colleges and universities located in all geographic regions of the country participate in the program.
- While only 149 institutions are in the Quality Assurance Program, program participants disbursed 12.6 percent of all Pell Grant dollars during the 2007-08 award year.



The diversity of approaches to verification taken by schools participating in the Quality Assurance makes generalizing from these findings difficult. There are a few implications for our findings.

Based on these program-wide results, most schools participating in the program have an opportunity to reduce the burden that verification places on their students and staff without placing aid dollars at risk. At the aggregate level, quality assurance school verification efforts select a relatively high percentage of students that don't need to be verified. Based on program-wide results, high-need applicants (i.e. automatic zero EFC) may be a good place for schools to start looking for students unlikely to experience a change in eligibility when verified. Given that these high-need students typically receive the maximum Pell Grant and perhaps other scarce need-based funding, schools may want to limit scaling back their verification effort in this area to include only those students that have successfully documented their high need status in a previous award year.

Given the high percentage of the records selected by Quality Assurance schools that were also flagged for Central Processing System (CPS) verification, Federal Student Aid can apply the results presented here to ongoing improvement of federal verification efforts.



Introduction

Federal, state, and private financial aid programs help students and their families finance higher education. Many of these aid programs are “need based;” they target students with the least ability to pay for college themselves. This targeting of aid is based on student and parental self-reports about their financial condition. Therefore, ensuring the accuracy of the student and family’s reported economic circumstances plays an important role in equalizing the educational opportunities available to all Americans. Colleges and universities routinely check the accuracy of a subset of aid applications during a process called “verification.” This report examines the nature, efficiency, and effectiveness of verification at schools participating in the Quality Assurance Program of the U.S. Department of Education (ED).

Schools participating in the Quality Assurance Program develop their own school procedures for verifying the accuracy of the information students supply on their Free Application for Federal Student Aid (FAFSA). The basic idea behind the Quality Assurance Program is that schools are in the best position to know which of their students are most likely to experience a change in eligibility and how to target verification efforts in concert with a school’s educational outreach efforts that seek to improve the accuracy of initial applications.

The information submitted by students on their FAFSAs is sent electronically to schools on ISIRs. The data on the ISIR includes all the elements used to calculate students’ expected family contribution (EFC) toward their postsecondary expenses. The difference between the total price of attending a specific college or university and a student’s EFC determines his or her eligibility for need-based Federal Student Aid (FSA) programs. Undergraduate applicants with an EFC less than 4,042 in 2007-08 were generally eligible for a Pell Grant.

During the 2007–08 award year, 146 of the 149 schools participating in the Quality Assurance Program uploaded records into the ISIR Analysis Tool (the Tool) that met one or more of their school’s verification criteria. The schools uploaded the initial and the paid on transaction. The paid on transaction included any corrections detected by their school verification procedures. Vangent Inc., Federal Student Aid’s CPS and mainframe contractor, created a data file containing all the 2007–08 data that Quality Assurance Program schools had uploaded into the Tool. The FSA staff members writing this report deleted the records from five Quality Assurance Program schools. We deleted four of the schools because we failed to find even a single student with a change to EFC; we believe that these schools failed to properly load both the initial and paid on transactions into the Tool. We deleted the remaining school because we were unable to confirm that its records were all selected by its school verification criteria. This winnowing process left 141 schools and 141,484 students to analyze.



Schools also provided written descriptions of their school verification criteria. These documents identified the types of students they selected for verification. FSA staff reviewed these documents, counting and characterizing the verification procedures employed by program participants.

We organize our presentation of the analysis we conducted with the following five overarching research questions:

1. How do Quality Assurance schools select students for verification?
2. How efficient are school verification strategies?
3. What effect does school verification have upon improper payments in the Pell Grant program?
4. How effective were school verification strategies in 2006-07?
5. What types of schools participate in the QA Program?

Below we address each of these research questions in turn. Before assessing Quality Assurance Program school verification, we start by simply describing the various strategies participating schools employed. The approach QA Program schools take to verification varies a great deal. The second research question begins our assessment of these practices starting with what we call “efficiency.” We define “efficiency” as not verifying records that fail to experience a change to aid eligibility. The answers to the third question provide an estimate of the return to verification – defined by the potential under-payments and over-payments prevented in the Pell Grant program – enjoyed by Quality Assurance Program participants. The fourth research question is concerned with the effectiveness of verification. Answering the fourth question requires us to link back to data from the 2006-07 award year. QA Program schools selected a random sample of applicants and conducted 100 percent verification that year. The answer to the final question, “what types of schools participate?” provides important context for all of our findings.

After addressing each of the five research questions, we summarize the results and explain the implications of our findings.

Research Question #1: How do Quality Assurance schools select students for verification?

During the summer of 2008, 134 schools provided written descriptions of their verification selection criteria to Federal Student Aid. In this section we provide a summary of how Quality Assurance schools choose student records to verify. We will discuss the number of criteria schools use, the data elements schools use and the manner in which they use this information in targeting students for verification.

The written descriptions of selection criteria varied from brief emails to lengthy copies of institutions’ formal procedures documents. Some schools used simple ranges of one or two data elements to select students for verification. Others used the combination of values on multiple data fields to identify records most in need of verification. In order to arrive at comparable counts of the number of criteria each school used, we counted the number of logical conditions that would result



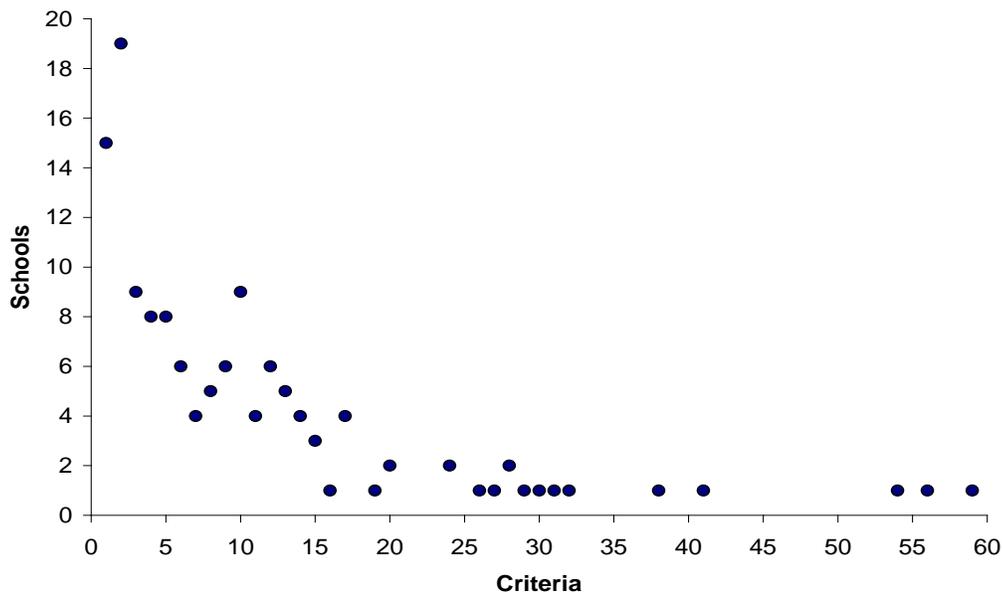
in a student being selected, rather than relying on the schools' own counts of their criteria. This was necessary because some schools included multiple logical conditions under a "single" criterion under their internal numbering schemes, while others listed each logical condition separately.

Counting each logical condition as a criterion, we reviewed a grand total of 1,352 verification criteria. Schools varied widely in terms of how many criteria they used to select records for verification; the number of criteria ranged from 1 to 59.

Exhibit 1 presents a scatter plot of the individual school criteria counts. The Y-axis indicates how many schools employed the number of criteria indicated along the X-axis. The average number of criteria schools used was 10. The median was 7, meaning that half of the schools had fewer than 7 criteria, while half had more.

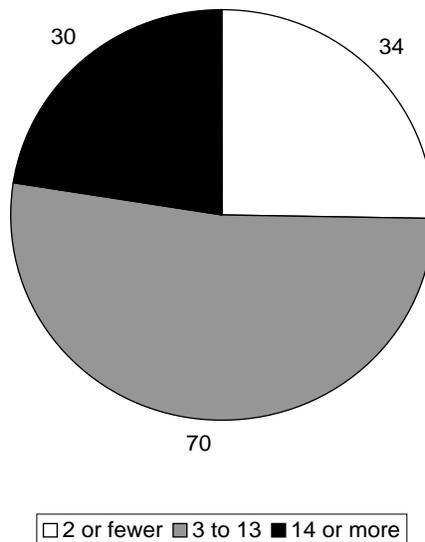
In subsequent analyses of the efficiency and effectiveness of school verification efforts, we will define groups of schools based on the number of criteria they use in selecting students for verification. **Exhibit 2** presents the number of schools in each of the three categories. We defined groups to represent, as closely as possible, schools in the bottom quarter, middle half, and top quarter of the distribution.

Exhibit 1: Number of Quality Assurance Schools with the Indicated Number of Selection Criteria, N=134



Source: Quality Assurance Program schools' verification descriptions, 2008.

Exhibit 2: Number of Quality Assurance Schools in Each of the Three Number of Criteria Analysis Categories, N=134

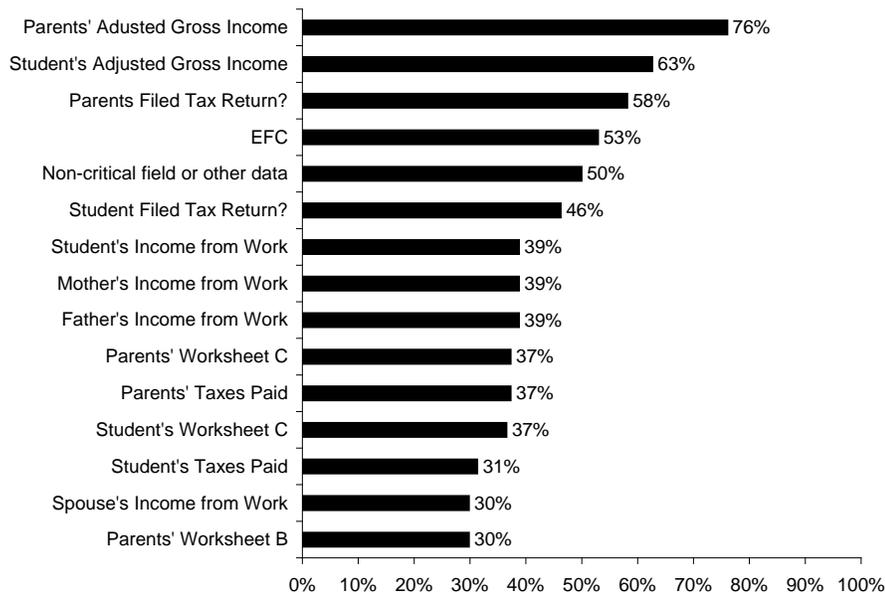


Source: *Quality Assurance Program schools' verification descriptions, 2008.*

In addition to simply counting the criteria, we categorized each of the logical conditions used to select students for verification based on the data element it referenced and the school's basic strategy for using that information. Given the variation in the number of criteria employed among schools, we treat the school – as opposed to the criterion – as the unit of analysis. While we performed the classification at the selection criterion level, we aggregated up to the school level when calculating the statistics presented below. This meant that a school with multiple criteria referencing the same data field or using a particular strategy was treated the same as schools that had only a single instance of that strategy. Using the school as the unit of analysis prevented schools with the most criteria from disproportionately affecting the results. Furthermore, it is more natural to think in terms of the percentage of schools that used a particular data field or strategy rather than thinking about the fraction of all examined criteria that did.

Exhibit 3 presents the percent of Quality Assurance schools that used the most commonly referenced data elements. Note that the two most commonly used fields were parents' and student's adjusted gross income. Also note that half of the Quality Assurance schools used non-critical ISIR fields or other data when selecting records for verification. For example, a number of schools selected all recently married independent students for verification. Other schools selected all students that were eligible for a specific state or private need-based grant.

Exhibit 3: Most Commonly Used Data Elements in Quality Assurance Schools Verification, N=134



Source: *Quality Assurance Program schools' verification descriptions, 2008.*

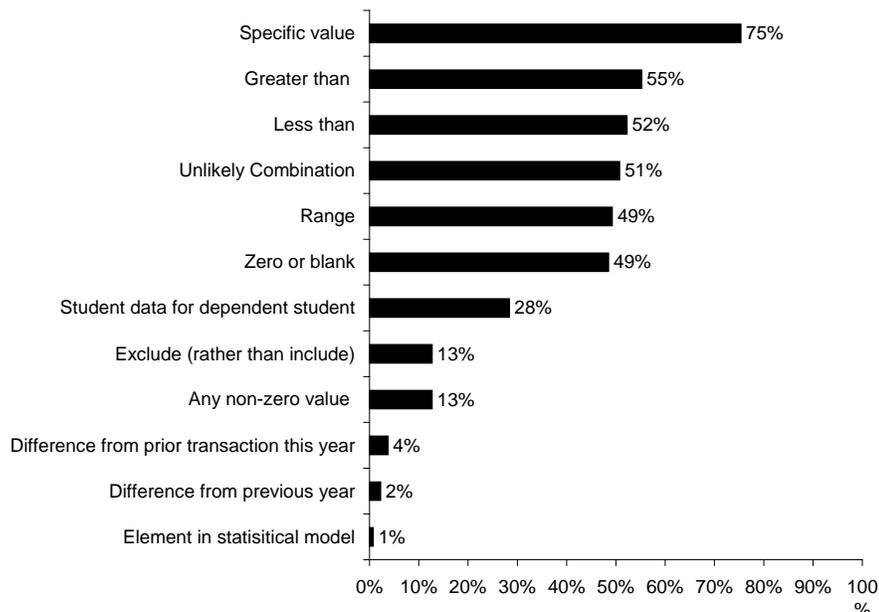
When classifying the strategies employed by schools we utilized two separate rubrics. The first rubric attempted to capture the logical task being performed by each selection criterion. We used this rubric to identify the use of the following verification strategies:

- Selecting records less than an indicated value;
- Selecting records greater than an indicated value;
- Selecting records in a range between two values;
- Selecting records with a specific value or a limited number of values (e.g., C codes 091, 092 or 093);
- Selecting records with a zero or blank value;
- Selecting records with any non-zero or blank value;
- Selecting records with an unlikely combination of values of two or more fields (e.g., taxes paid > 25% AGI);
- Selecting records with a different value than a prior 2008-09 transaction;
- Selecting records with a different value than a previous award year;
- Applying a student data field when selecting dependent students for verification;
- Using information as an element in a statistical model; and
- Excluding records with the indicated value(s) from verification.

Note that the strategies listed in this first rubric are not mutually exclusive. When appropriate we assigned multiple codes to a single strategy.

Exhibit 4 presents the percentage of Quality Assurance schools using the indicated verification selection strategy. While three quarters of the schools use a specific value of at least one data element in selecting records for verification, only slightly more than half of the schools use any of the other strategies for selecting records for verification. Note that only 13 percent of the schools used information to exclude records from verification. Most program participants only used criteria in attempts to select students most likely to need a correction to their FAFSA information. Very few also used information to exclude students unlikely to need verification.

Exhibit 4: Percent of Quality Assurance Schools Verification Using Indicated Selection Strategy, N=134

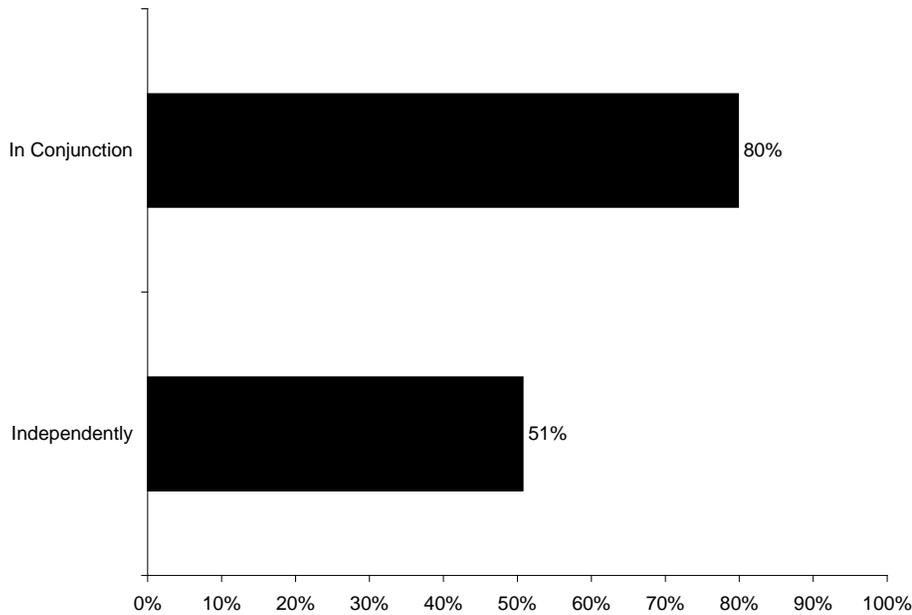


Source: Quality Assurance Program schools verification descriptions, 2008.

The second rubric was mutually exclusive within each selection criteria. We used this second rubric to record whether the school was using the data element in question in conjunction with other fields or was using it independently. In other words, did schools select any and all records for verification that had the specified value(s) or did they make selection contingent on the records value on at least one additional field. It was, of course, possible, for schools to use a given data field independently in one selection criterion and to use the same field in conjunction with other information on a second criterion. In such cases we recorded both strategies.

Exhibit 5 presents the percent of Quality Assurance schools using information from a single data element in conjunction and selecting records based solely on the value of single ISIR field. While 80 percent of the schools had at least one selection criterion that made selection contingent on the student's values on multiple fields, roughly half (51%) of the schools selected records on the basis of a student's value on a single data element.

Exhibit 5: Percent Quality Assurance Schools Verification Using Data In Conjunction and Independently, N=134



Source: *Quality Assurance Program schools' verification descriptions, 2008.*

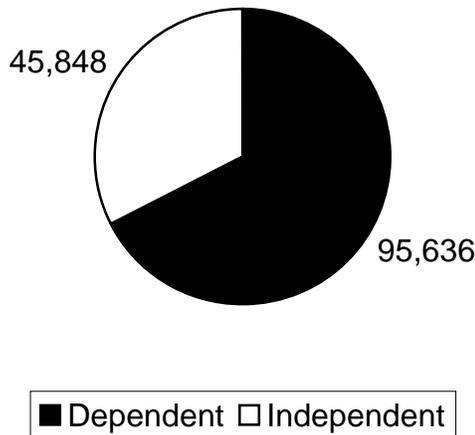
The variety in the data elements considered, logical approaches to using this data, and the tendency of most Quality Assurance schools to consider multiple data fields when selecting students for verification make it quite difficult to make generalization about Quality Assurance Program school verification. In exercising their regulatory flexibility, participating schools have each developed a somewhat unique approach to verification. It is still useful to look at program-wide descriptions of the types of students that are selected for Quality Assurance school verification and to assess the efficiency and effectiveness of these verification efforts.

Research Question #2: How efficient are school verification strategies?

This section begins our assessment of the school verification practices employed by the institutions participating in the Quality Assurance Program. During the 2007-08 award year schools uploaded both the initial and paid on transactions of the records they selected for verification into the Tool. In this section we look at what types of students schools chose to verify, the aggregate results of these verification efforts and how the efficiency of verification varies for different types of students.

Exhibit 6 displays the dependency status of the 141,484 records collected from the 141 institutions that satisfied our data quality standards. Note that roughly two-thirds of the records selected for verification were dependent students.

Exhibit 6: Dependency Status of ISIR Records Selected for Verification 2007-08:
N = 141,484

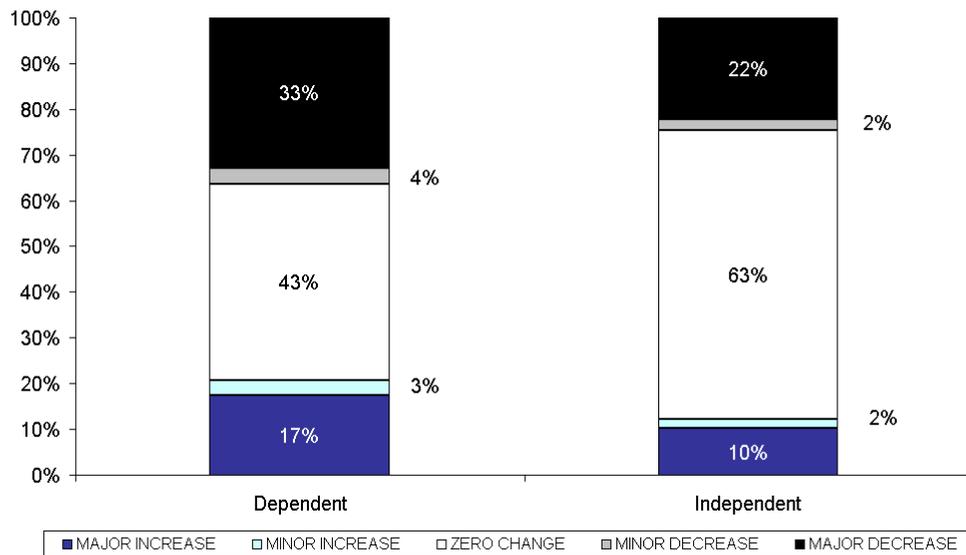


Source: Quality Assurance Program schools’ ISIR Analysis Tool records 2007-08.

In **Exhibit 7** we report the “results” of school verification by dependency status. The results presented in Figure 7 suggest a good deal of inefficiency in the verification process used by schools participating in the Quality Assurance program. We classified each student into one of the following five mutually exclusive and exhaustive categories:

- Zero change - EFC and Pell Grant remained the same;
- Major decrease – Pell Grant decreased or EFC increased at least 400;
- Major increase – Pell Grant increased or EFC decreased at least 400;
- Minor decrease – EFC increased less than 400 and Pell Grant remained the same; and
- Minor increase – EFC decreased less than 400 and Pell Grant remained the same.

Exhibit 7: Results of School Verification by Dependency Status: N = 141,484



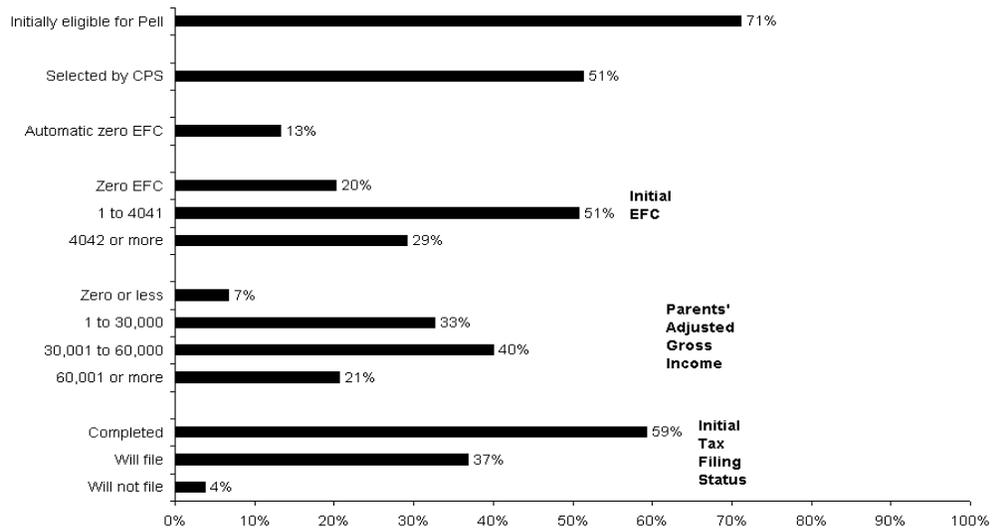
Source: Quality Assurance Program schools’ ISIR Analysis Tool records 2007-08.

Exhibit 7 indicates that program-wide, school verification of dependent students was more “efficient” than verification of independent students. The majority of independent records Quality Assurance Program schools selected for verification (63 percent) experienced zero change, while only a minority of dependent records (43 percent) selected for verification experienced no change in aid eligibility. While the verification of dependent students was more successful in terms of detecting meaningful changes in student eligibility for need-based aid than verification of independent records, only half of the dependent records that schools verified experienced a change to a Pell award or a change to EFC in excess of 400.

The type of student program participants selected had important implications for the efficiency of verification efforts. To explore this issue, we looked at both the percentage of records selected for school verification that belong to specific sub-groups of students and the percentage of records in these groups that experience a “major” change in aid eligibility. Recall that in the previous section we defined a major change as a change to a Pell Grant or change to EFC of 400 or more. We will present these statistics separately for dependent and independent students.

Exhibit 8 presents selected demographic statistics for the dependent records schools selected for verification. Note that Quality Assurance Program participants concentrated their verification efforts on Pell-eligible students. More than 70 percent of selected dependent students were initially eligible for a Pell Grant. Despite their regulatory freedom to disregard the CPS verification flags, just over half of the records selected by Quality Assurance schools for verification were also selected by the CPS (51%).

Exhibit 8: Percent of Dependent Students Selected for School Verification in the Indicated Group: N = 95,636



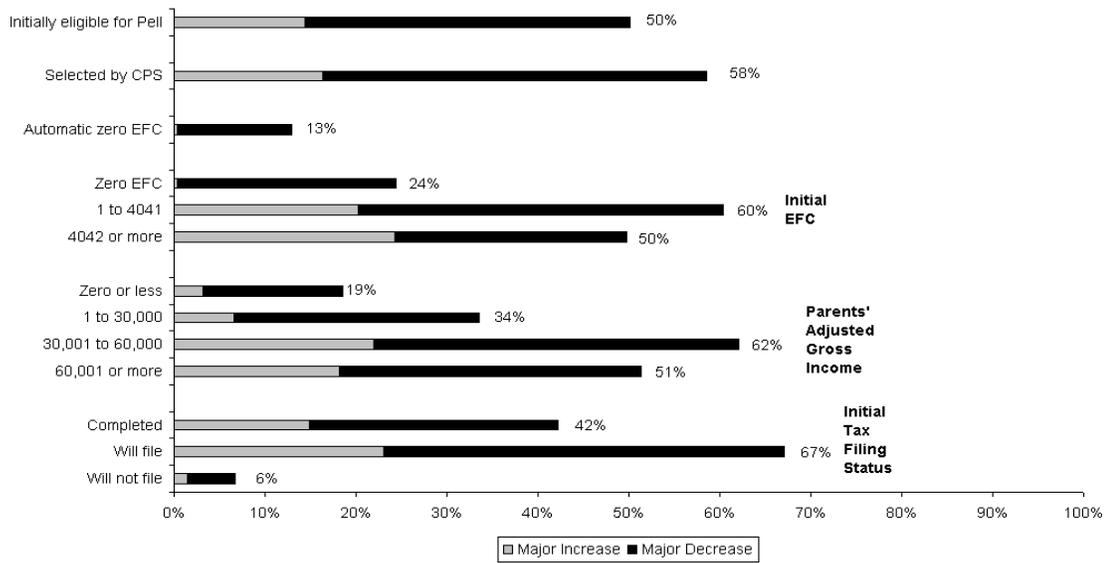
Source: Quality Assurance Program schools' ISIR Analysis Tool records 2007-08.

How “efficient” was verification among the different types of students identified in Exhibit 8? Assuming that the primary purpose of verification is ensuring the accuracy of need-based financial aid awards, our “major change” to aid eligibility strikes us a reasonable metric for measuring the efficiency of verification efforts. Recall we are defining “major change” as any change to a Pell award or an EFC change of at least 400. An efficient verification process would result in a high percentage of selected records experiencing a “major change.”

Exhibit 9 presents the percent of each subset of dependent students that experienced a major change. We represent increases in eligibility with gray and show decreases in black. The number at the end of each bar is the sum of both components. The greater this sum, the more efficient school verification was for the indicated subset of dependent students.

Exhibit 9 shows a good deal of variation in the efficiency of school verification between various student groups. School verification efforts were most efficient among dependent students whose parents estimated their tax return (67%), parents with adjusted gross incomes between 30 and 60 thousand dollars (62%), with initial EFCs between 1 and 4041 (60%) and among records also selected by the CPS (58%). Verification efforts were least efficient among the dependent students most in need of financial assistance. The lowest percentages of verified students experiencing a major change included students whose parents had so little incomes that they were not required to file a federal tax return (6%) and those who had an automatic zero EFC (13%).

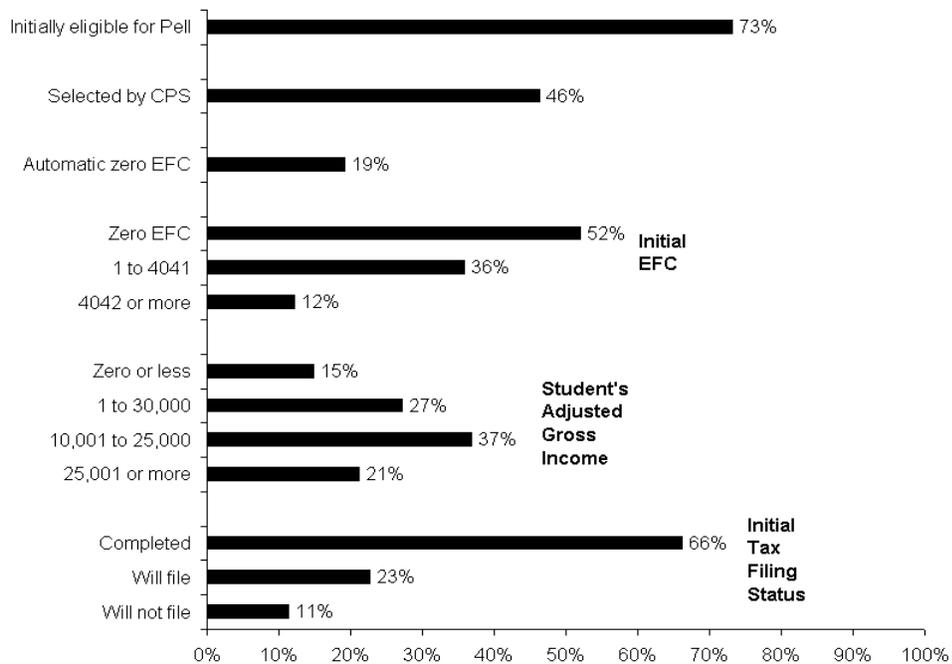
**Exhibit 9: Efficiency of School Verification of Dependent Students by Student Type:
N = 95,636**



Source: Quality Assurance Program schools' ISIR Analysis Tool records 2007-08.

Exhibits 10 and 11 present similar analyses for independent students.

Exhibit 10: Percent of Independent Students Selected for School Verification in the Indicated Group: N = 45,858



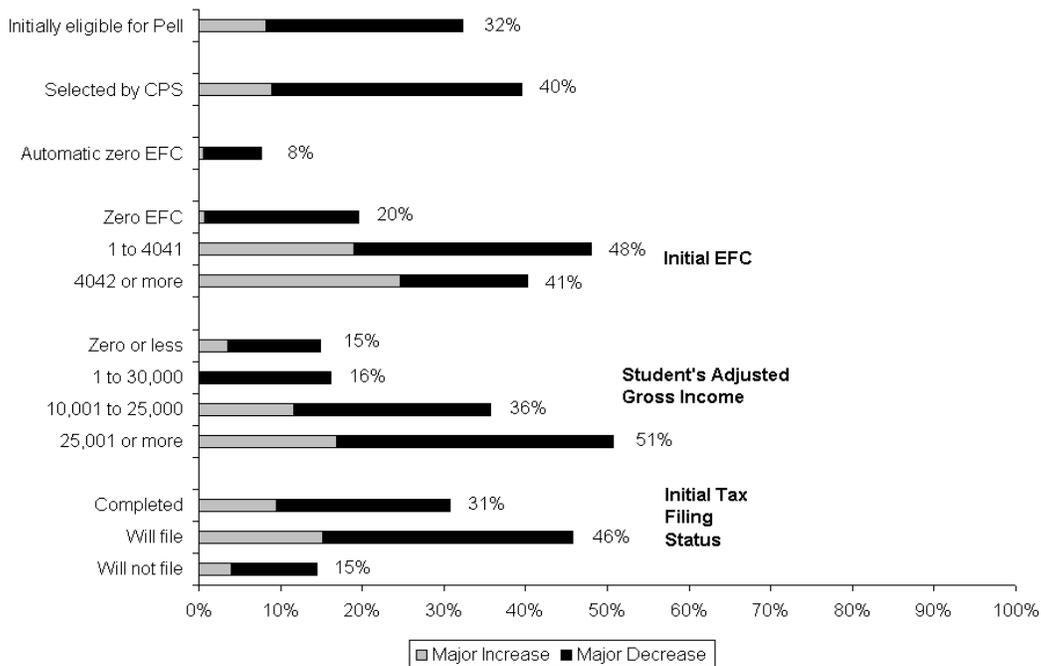
Source: Quality Assurance Program schools' ISIR Analysis Tool records 2007-08.

In **Exhibit 10** we found that Quality Assurance schools, just as they had among dependent students, concentrated their verification efforts of independent students on

those who were initially eligible for Pell (73%). We also saw the same notable overlap with CPS verification; the CPS also selected 46 percent of the independent records selected by the schools. The tendency to focus on the most needy students was even more pronounced among independent students. Over half (52%) of the selected independent students had an initial EFC of zero.

Exhibit 11 reflects the relative inefficiency of independent vs. dependent verification efforts we reported in Exhibit 7. The results also mirror the relative inefficiency of verification efforts targeting the most needy students that we saw among dependent students in Exhibit 9. Only 20 percent of the independent records with a zero EFC experienced a major change when verified. Remember that this group made up over half of all the independent records Quality Assurance schools chose to verify. The figure is even worse for independent students with automatic zero EFCs. Here only 8 percent of the school-verified, independent students experienced a change to Pell or EFC change of more than 400.

Exhibit 11: Efficiency of School Verification of Independent Students by Student Type:
N = 45,858



Source: Quality Assurance Program schools' ISIR Analysis Tool records 2007-08.

The analysis above indicates that a sizable percentage of the records schools selected for verification in 2007-08 did not need to be verified. Half of the selected dependent students and a clear majority of the independent students experienced either zero or only a minor change in aid eligibility. Our findings suggest that much of this “low-yield” verification occurs among the most needy student groups, e.g., student with an automatic zero EFC. We do not want to make light of the challenge schools face in deciding which students to verify. While the percentage of the lowest income students that “need” verification may be low, the magnitude of the corrections – in terms of dollars – is also a concern.

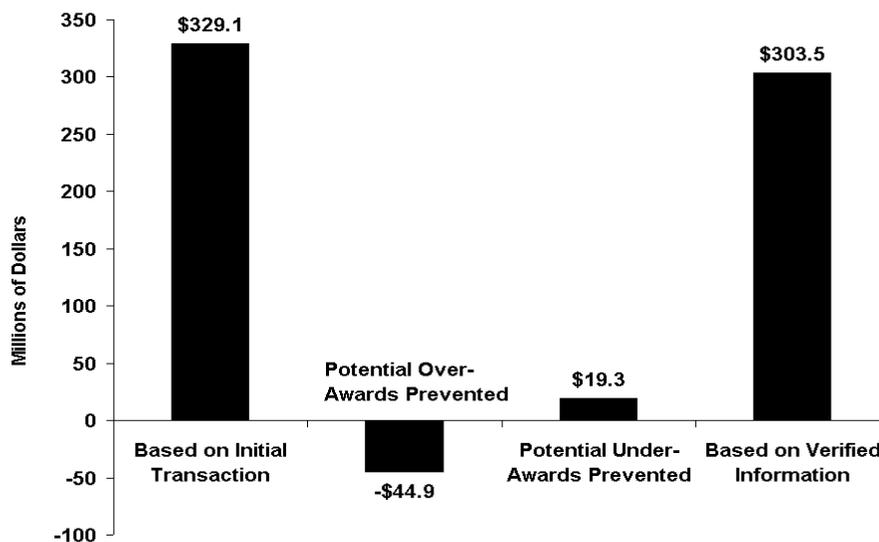
The next section looks at the corrections to Pell awards in terms of dollar amounts.

Research Question #3: What effect does school verification have upon improper payments in the Pell Grant program?

In the previous section we noted that schools in the Quality Assurance Program concentrated their verification efforts on students initially eligible for Pell. (See Exhibits 8 and 10.) Below will assess the ability of schools to prevent “potential” improper payments in the Pell Grant program during the 2007-08 award year. We qualify our results with the word, “potential” because an unknown percentage of initial errors would have been self-corrected by the students involved even if they had not been selected for verification.

Exhibit 12 presents four values. The first number, \$329.1 million, represents the total value of Pell Grants that would have been awarded based on the initial ISIR transaction. Apart from student self-corrections, this value represents the sum of Pell awards that would have been made in the absence of verification. Schools did, however, verify all of these student records. Verification caused some students to receive less, some more and others the same amount of Pell. The next two bars on the chart represent the sum of decreases and increases. The \$44.9 million in potential over-payments is the sum of all decreases in Pell awards observed between the initial and paid on transactions. We represent this sum as a negative number because when schools correct potential over-awards they disburse fewer Pell dollars. These potential over-payments constitute 13.6% of the Pell dollars that would have been awarded based on the initial transactions. The third column of \$19.3 million represents the sum of all the increases in Pell eligibility uncovered by verification. While less prevalent than over-awards, under-awards still constitute a non-trivial 5.9% of initial Pell eligibility. Combining over- and under-awards corrections, schools prevented potential improper payments up to 19.5% of initial Pell eligibility. The final value in the graph is the total amount of the verified Pell awards.

Exhibit 12: The Effect of School Verification on Pell Awards: 2007-08 (in Millions of Dollars): N = 141,484



Source: Quality Assurance Program schools’ ISIR Analysis Tool records 2007-08



Research Question #4: How effective were school verification strategies in 2006-07?

During the 2007-08 award year, Quality Assurance schools uploaded only the records they chose to verify into the ISIR Analysis Tool. Therefore, we can not use this information to identify the types of students school verification may be missing. To address the research question concerning the full “effectiveness” of verification we linked school descriptions of their verification strategies back to their 2006-07 random sample data. During that award year, Quality Assurance schools completed 100 percent verification on a random sample of their aid applicants.

It is important to acknowledge that the validity of this analysis rests on the assumption that Quality Assurance schools were using the same verification strategies during the 2006-07 award year that they described to us in 2008. Based on our work with program participants over the years, we believe this is reasonable. Only a handful of schools conduct a drastic overhaul of their selection criteria in any given year. Schools generally make minor adjustments to their selection criteria between award years. Schools tinker with the selection threshold values of the ISIR fields they use, but generally retain the same ISIR fields and the same logical process from year to year. Such “updating” of criteria does not threaten the validity of our analysis below, because we classified schools based on the number of criteria they used, which ISIR fields they employed and the logic behind their use of the information, not the specific values involved.

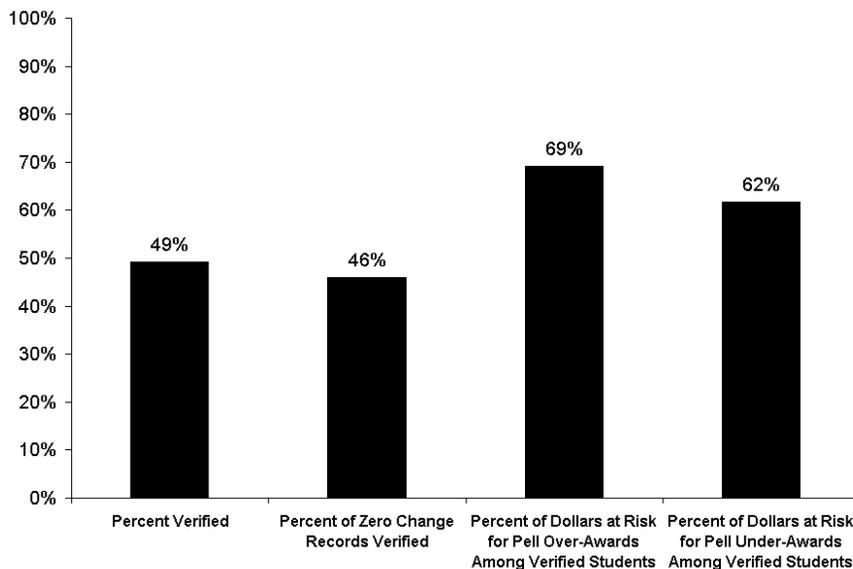
Of the 141 schools that uploaded usable data in 2007-08, only 119 supplied both written descriptions of their verification criteria and had useable random sample data in 2006-07. Our analysis of the “effectiveness” of school verification is restricted to this subset of schools. The 119 schools supplied a total of 57,048 student records during the 2006-07 award year.

We took advantage of the sample data’s ability to show what schools’ current verification may be missing to measure the effectiveness of school verification in four ways. First, we simply measured the percentage of all student records selected for verification. This provides a measure of the verification “burden” schools place on their staff and students. Second, we calculated the percentage of records with no change to EFC that were selected for verification. Ideally, the tendency of certain types of students to fill out their initial FAFSA correctly should lower the probability that schools select these groups for verification. The next two measures address the ability of verification to correct all the potential improper payments in the Pell Grant program. We calculated the percentage of all over- and under-awards in Pell detected in the random sample exercise that the school would have normally selected for verification.

Exhibit 13 presents the program-wide averages for each of our four measures. Schools selected approximately half of their student applicants for verification (49 percent). Unfortunately schools selected nearly the same proportion, 46 percent, of students with no changes in EFC. School verification targeted improper

payments in Pell more effectively. Schools corrected over two-thirds of the dollars at risk for possible over-payments in Pell by verification. A slightly lower, but still notable, 62 percent of dollars at risk for potential under-payments of Pell occurred among students schools verified.

Exhibit 13: The Program-Wide Effectiveness of School Verification 2006-07: N = 57,048



Source: Quality Assurance Program schools’ ISIR Analysis Tool records 2006-07

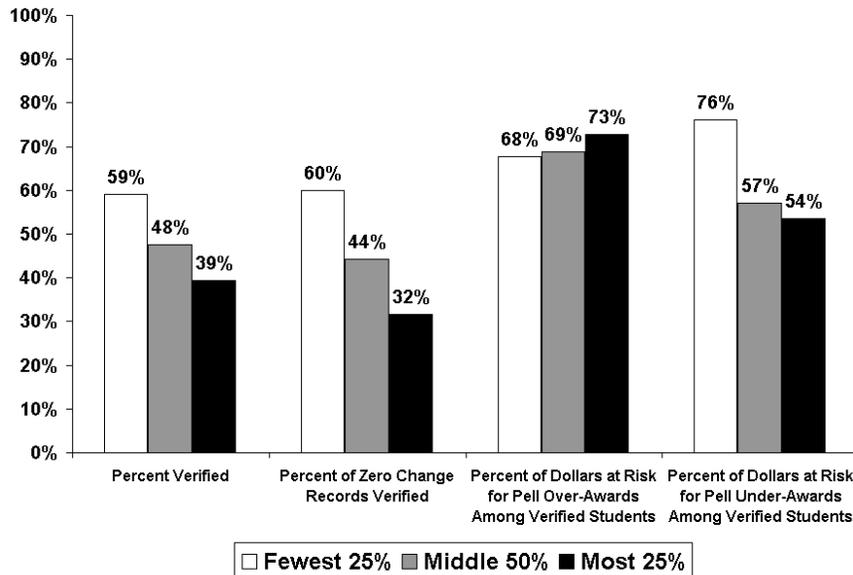
What was the association between the various verification strategies Quality Assurance Program schools employed and these four measures of effectiveness? To answer this question we compared the average values on these four measures for schools using different approaches to selecting records for verification. We urge the reader to avoid inferring direct causal relationships in what follows. Our data are merely correlations. Just because schools that currently use “X” strategy for selecting students do “better” or “worse” than schools that don’t use “X” strategy, it does not mean that the difference in strategy is responsible for the disparity.

The first strategic difference we explored in answering the first research questions was the number of distinct criteria schools used. Recall that we divided schools into three groups: those with 2 or fewer; between 3 and 13; and 14 or more criteria. Roughly one quarter of the schools had fewer than 3, another quarter had more than 13 and the remaining half of the schools fell in the middle category. See **Exhibit 2**.

Exhibit 14 presents the average of the four effectiveness measures by number of verification criteria category. Note a somewhat counter-intuitive finding on the first measure. Schools with the most verification criteria verified the lowest percentage of records. Schools with the fewest verified the most. The reason for this is that schools with few criteria include a few institutions that verify every single student. Other schools with less than three criteria tend to cast a wide net with the few criteria they have. For example, a school with one or two criteria may select all

initially Pell eligible students or every record with an EFC less than the school's cost of attendance.

Exhibit 14: The Program-Wide Effectiveness of School Verification by Number of Selection Criteria, 2006-07: N = 57,048



Source: Quality Assurance Program schools' verification descriptions (2008) and ISIR Analysis Tool records (2006-07).

More important than the tendency for schools with more criteria to verify fewer students overall is the tendency for them to select a lower percentage of students with zero change to EFC. Schools with the highest number of criteria verified roughly half as many students with zero changes as schools with the lowest number of criteria (32 vs. 60 percent).

Having more criteria and verifying fewer students was not associated with a diminished capacity to prevent Pell over-awards. In fact, schools with the most criteria prevented the highest percent (73%) of potential Pell over-award dollars. However, having only a few criteria and verifying a higher percentage of students was associated with correcting a higher percentage of Pell under-award dollars. The reason for this may be that as schools added criteria becoming more selective in terms of which students were chosen for verification, they tended to reduce or eliminate their verification efforts among students initially ineligible for Pell Grants.

In addition to looking at the number of criteria schools used, we examined the data elements and the schools' methodology for using the information. We identified the eleven most commonly referenced data elements and 14 distinct strategies schools used to target students for verification. We compared the average of each of the four effectiveness measures for the schools that employed a particular data field or strategy to the corresponding average for schools that did not use the field or strategy in question.

We provide two tables (**Exhibits 15 and 16**) that report the observed “benefit” associated with the use of a given data element or strategy. We calculated these benefits by subtracting the average value of schools that did not use a specific field or methodology for using information from the average value of schools that did. Because we viewed reductions in the burden of verification, particularly among records that did not experience a change to EFC, as being desirable, we multiplied these differences by negative 1. Therefore, positive numbers are always favorable and negative values are less desirable

We illustrate our method for calculating “benefits” using a few values reported in **Exhibit 14**. The “benefit” in reducing unnecessary verification of records with zero change for schools with the most criteria vs. those schools with the least is 28 ((32% - 60%) × -1). The benefit in terms of preventing Pell under-payments is -22 (54% - 76%). The negative “benefit” reflects the fact that schools with the most criteria were less effective on average than schools with the fewest criteria on the under-payment measure.

Exhibit 15 presents the results of our analysis of the benefits associated with school use of particular data elements. While there are a few exceptions, our findings tend to indicate a positive association with a reduction of the overall and unnecessary verification, but negative association in terms of reducing the prevention of Pell under-awards. The results for the data fields Parents Filed Tax Return; Student Filed Tax Return; Father’s Income from Work; and Mother’s Income from Work illustrate this pattern most prominently. Note that the only positive finding for Pell under-awards involved schools using a Non-ISIR field.

Exhibit 15: Percentage Point “Benefit” Observed Between the Schools that Do and Do Not Use the Indicated Data Element: N = 119

Data Element	Percent of All Records Verified	Percent of Records with Zero Change Verified	Percent of Dollars At Risk for Pell Over-Awards Among Verified Students	Percent of Dollars At Risk for Pell Under-Awards Among Verified Students
Parents' Adjusted Gross Income	-3	1	16	-6
Student's Adjusted Gross Income	3	9	12	-10
Parents Filed Tax Return?	18	24	0	-16
EFC	0	4	4	1
Non-critical Field or other data	-3	-2	2	13
Student Filed Tax Return?	21	26	-7	-24
Father's Income from Work	16	17	1	-17
Mother's Income from Work	16	17	1	-17
Student's Income from Work	8	15	10	-7
Parents' Taxes Paid	4	2	-1	-1
Parents' Worksheet C	4	6	-2	-3

Source: Quality Assurance Program schools’ verification descriptions (2008) and ISIR Analysis Tool records (2006-07).



On average, schools that used a Non-Critical Field or other data performed 13 percentage points higher in terms of correcting dollars at risk for under-awards than schools that relied solely on the information available from the ISIR. Federal Student Aid will explore this issue further in its upcoming analysis of 2008-09 data.

We observed a variety of relationships between school use of particular data fields and Pell over-awards. The use of most fields exhibited only a very mild relationship with Pell over-awards. The percentage point differential for seven of the eleven fields is less than 5 percentage points (positive or negative). However, schools that used Parent AGI, Student AGI or Student's Income from Work averaged at least 10 percentage points higher in terms of preventing over-awards than schools that did not use these fields. The fact that many schools use income fields to identify students who are likely to be Pell eligible helps explain this finding. Schools that used the students income tax filing status field was the most prominent negative association (-7) with Pell under-payments. Perhaps schools that use this field are focusing their verification efforts too exclusively on applicants that estimate their taxes.

Exhibit 16 presents the results of our analysis of the benefits associated with school use of particular logic strategies for using information to select students for verification. We did not include results for the three rare strategies of selecting records with a difference from a prior transaction in this award year, a change from a value in a previous award year and use of the data element in a statistical model. We had data from five or fewer schools using these strategies, making our estimate of average effectiveness extremely unreliable.

Exhibit 16: Percentage Point Benefit Observed Between the Schools that Do and Do Not Use the Indicated Strategy: N = 119

Strategy	Percent of All Records Verified	Percent of Records with Zero Change Verified	Percent of Dollars At Risk for Pell Over-Awards Among Verified Students	Percent of Dollars At Risk for Pell Under-Awards Among Verified Students
Specific value	18	24	0	-20
Greater than	14	19	-5	-12
Less than	16	19	-4	-27
Unlikely combination	7	7	4	-3
Range	7	6	-1	-20
Student data field applied to dependent records	5	9	1	-11
Any non-zero or blank value	14	11	-6	-21
Excludes (rather than selects) records for verification	6	9	6	1
Used information from multiple data elements in conjunction	9	16	5	-20
Used information from at least one data element independently	7	7	2	-9

Source: Quality Assurance Program schools' verification descriptions (2008) and ISIR Analysis Tool records (2006-07).

We found the same general pattern for the effectiveness of the various strategies that we saw for the data elements. We found positive associations in terms of reductions in the overall and unnecessary verification, but negative associations with preventing Pell under-awards. The results for the strategies of selecting records by using a Specific Value; Greater than; Less than; and Any Specific Value best illustrate this general pattern.

While we observed both positive and negative relationships between school use of specific selection strategies and Pell over-awards, none of these relationships was particularly strong. None of the observed differences in means was greater than 6 percentage points.

Finally note the results for exclusion. Exhibit 4 indicated that only 13 percent (14 of the 119 schools included in our analysis) used the strategy of excluding records that met a logical condition from verification. Yet, the relatively rare strategy of exclusion was the only approach with no associated downside. While the positive benefit for preventing Pell under-awards was extremely modest (1 percentage point), the 9 percentage point advantage in terms of not verifying records with zero change was not a trivial benefit. The vast majority of program participants have only affirmative selection criteria. That is, they select records that can answer “yes” to the question, “Are you this type of student?” Quality Assurance schools looking to reduce unnecessary verification on their campus may wish to consider adding an exclusionary clause to their verification, rather than simply trying to more narrowly define their existing affirmative criteria.

Research Question #5: What types of schools participate in the Quality Assurance Program?

It is important to keep in mind when interpreting all the results we present in this report that Quality Assurance schools are not a random subset of all higher education institutions participating in Title IV. Both the school’s initial decision to apply for and the ED’s decision to allow participation in the Quality Assurance Program depend on a school’s willingness to demonstrate a commitment to improving the quality of administration of federal aid programs. In order to place the findings of the previous four sections in context, we provide a statistical sketch of the 149 schools currently participating in Quality Assurance Program. This description will include institution type, enrollment size, geographic region, and total Pell disbursements of the Quality Assurance schools.

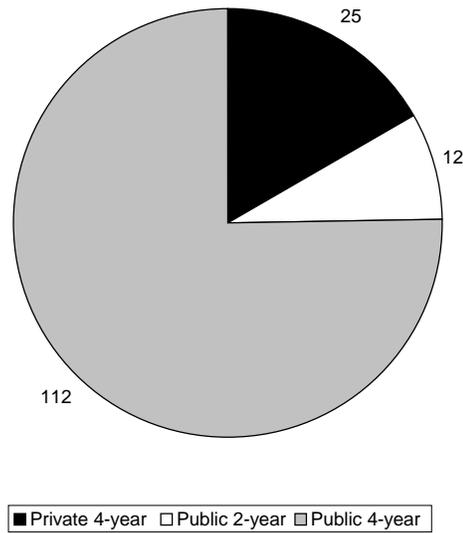
Quality Assurance schools are predominately public four-year universities. See **Exhibit 17**. There are also public two-year and private not-for-profit four-year school participants, but these types of schools are in the minority.

In addition to having a disproportionate representation of public four-year universities, Quality Assurance schools tend to be large. The high average enrollment at all three types of institutions reflects the positive relationship



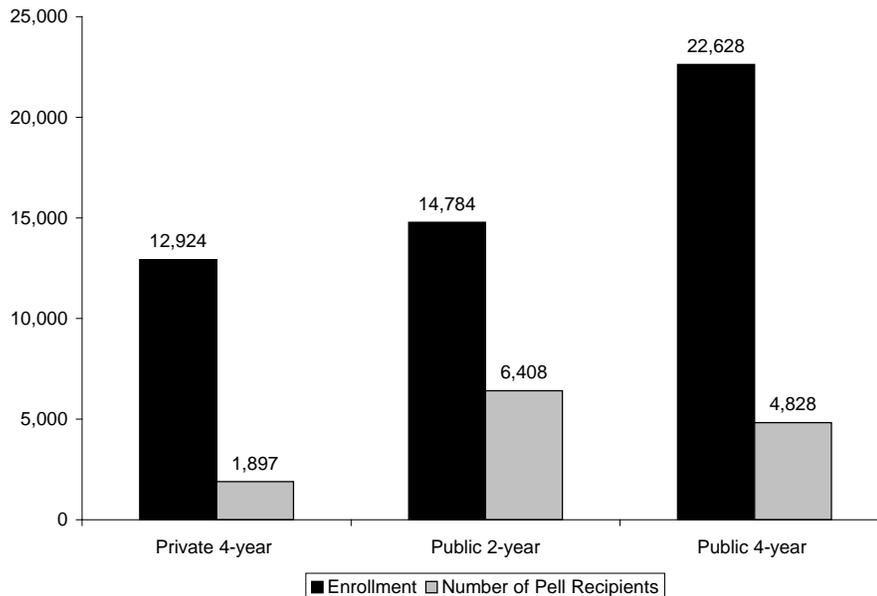
between school size and participation in the Quality Assurance Program. See **Exhibit 18**.

Exhibit 17: Quality Assurance Program Participants by Sector: N = 149



Source: Quality Assurance Program records and IPEDS (2007).

Exhibit 18: Average Enrollment and Number of Pell Recipients by Sector: N = 149



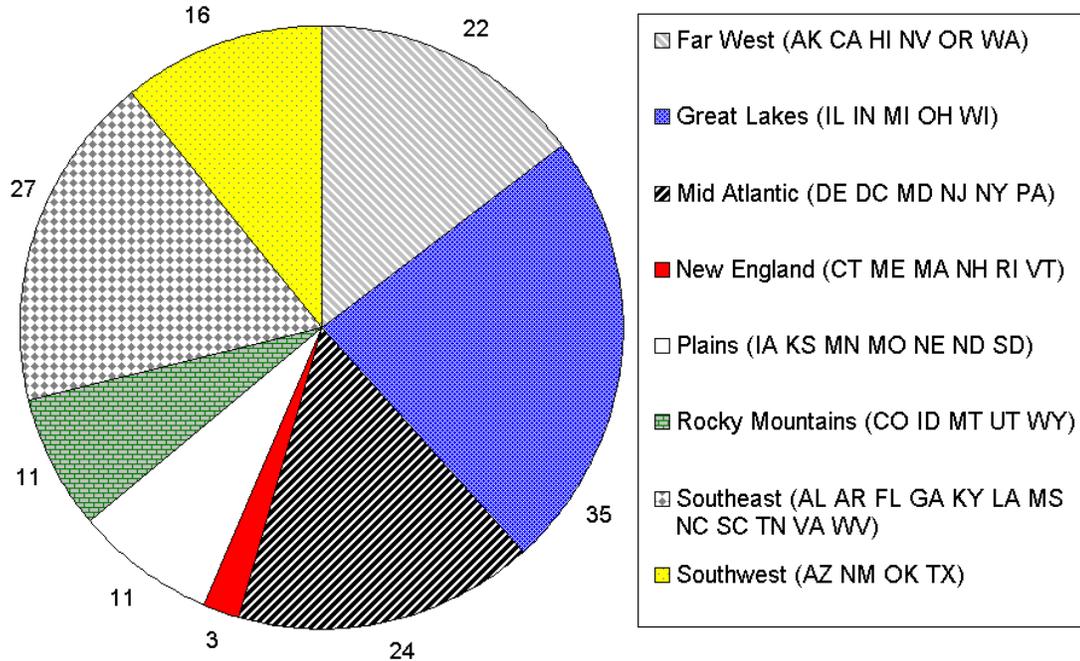
Source: Quality Assurance Program records and IPEDS (2007).

Exhibit 18 also provides the average number of Pell Grants at each type of institution. Note that Pell recipients constitute a greater proportion of total enrollment at public two-year schools (43 percent) than at either public four-year (21 percent) or private four-year (15 percent).

While Quality Assurance schools are larger than average and predominately drawn from the public four-year sector, the Quality Assurance Program has

attracted schools from all over the country. While the largest numbers of schools are located in the Great Lakes, Southeast, Mid Atlantic and Far West, schools from all over the country participate, as shown in **Exhibit 19**.

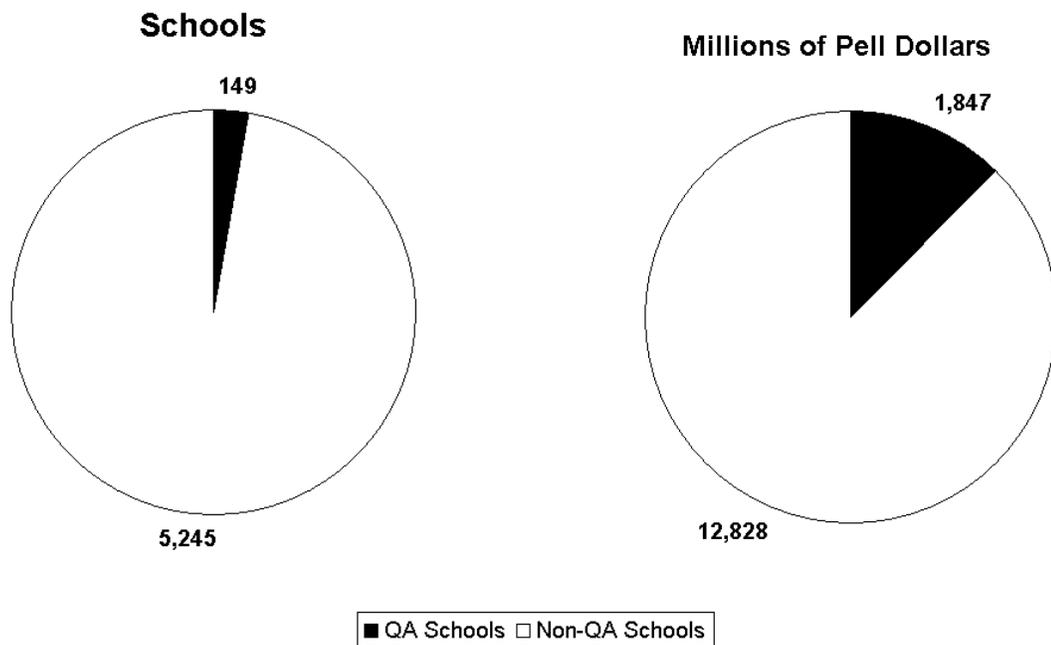
Exhibit 19: Quality Assurance Program Participants by Geographic Region: N = 149



Source: Quality Assurance Program records and IPEDS (2007).

Due to their large average size, the 149 Quality Assurance schools, while modest in number, disbursed 12.6 percent of all the Pell Grant dollars disbursed during the 2007–08 award year. See **Exhibit 20**.

Exhibit 20: Schools that Disbursed Pell Grants and Millions of Dollars of Pell Disbursements made by Quality Assurance Program Status during the 2007-08 Award Year



Source: Quality Assurance Program records and NSLDS.

Implications

The diversity of approaches that schools participating in the Quality Assurance Program take to their verification makes generalizing from these findings difficult. Schools ranged from 1 to 59 selection criteria, base their selection criteria on different ISIR fields and use different strategies when applying this information. There are still a few implications for our findings.

Most schools participating in the Quality Assurance Program have the opportunity to reduce the burden of verification on their students and staff without placing aid dollars at risk. Current school verification efforts select a relatively high percentage of students that don't need to be verified. Based on program-wide analysis, high need applicants (i.e., automatic zero EFC) may be a good place to start looking for students unlikely to experience a change in eligibility when verified. Given that these high-need students typically receive the maximum Pell Grant and perhaps other scarce need-based funding, schools may want to limit scaling back their verification effort in this area to include only those students that have successfully documented their high-need status in a previous award year.

While, at least program-wide, there appears to be ample opportunity to reduce school verification efforts, schools need to analyze their own data in the Tool to determine which specific student groups on their campus may not need verification. While used by only 14 schools in our analysis, the strategy of



excluding records from verification – even if they meet other selection criteria – may be a good way for schools to implement the results of such an analysis. Schools should also continue to monitor their current verification efforts with biannual random samples to ensure they balance the goal of reducing the burden of verification with the goal of continuing to prevent improper payments in the Pell Grant program.

During the 2007-08 award year schools participating in the Quality Assurance Program concentrated more than 70 percent of their verification efforts on applicants initially eligible for Pell Grants. This, accompanied by the schools' tendency to target the remaining 30 percent of their verification efforts on the nearly Pell eligible student population, allowed schools to prevent improper payments in Pell equal to nearly one fifth of the total Pell dollars that would have been awarded to selected students had they not been verified. Analysis of the 100 percent verified random sample data from 2006-07 indicates that schools were correcting most but not all of the potential improper payments in Pell. In 2006-07, Quality Assurance school verification corrected 69 percent of all potential over-awards and 62 percent of all potential under-awards. The total percentage of Pell dollars remaining at risk for improper payments after school verification was approximately the same as the remaining risk would have been if the schools had verified only those records selected by the CPS. However, the CPS edits corrected a higher percentage of over-awards and a lower percentage of under-awards.

More than half of the records selected by Quality Assurance schools were also flagged for CPS verification; Federal Student Aid can therefore apply the findings presented here to improving federal verification efforts. In our analysis of CPS verification presented in last year's report, which focused exclusively on 2006-07 random sample data, we found CPS had the same tendency to select a very high percentage of students with the highest level of need (i.e., zero EFC) even though these students were unlikely to experience a change in eligibility after supplying documentation. Therefore, as Quality Assurance schools learn how to more successfully identify which high-need students require verification and which ones do not, Federal Student aid stands to benefit.