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Analysis of Quality Assurance Program Data: 2009-10

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Executive Summary

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

During the 2009–10 award year, schools participating in this program uploaded the records of students they selected for verification. This report analyzes the corrections that schools and students made to the information students supplied on their initial FAFSA during the verification process. All but one of the 143 schools participating in the program supplied FAFSA data for this report. In total, we analyzed information from 148,290 records. The report also analyzes responses QA schools provided to an online survey. We received completed surveys from 135 schools.

We organized our analysis with the six research questions below. This executive summary provides condensed answers to each question and identifies some implications of our findings. Refer to the text of the full report for details.

Question #1: What types of schools participate in the Quality Assurance Program?

- Roughly, three fourths of the schools in this program are public four-year universities.
- The average enrollment at a QA school is 21,660.
- While only 143 schools participate in the program, they disbursed approximately 12 percent of Pell Grant dollars during the 2008-09 award year.

Question #2: How do QA schools use the ISIR Analysis Tool and how useful do they find it?

- Most schools (63 percent) indicated that more than one staff member used the Tool.
- Ninety percent of the schools indicated that they found the Tool somewhat or very useful.

Question #3: How do QA schools select students for verification?

- More than three quarters of schools used the EFC and adjusted gross income ISIR fields to identify students for verification.

- Nearly all schools (92 percent) selected students for verification when they fell within a range of values on a specific ISIR field.

Question #4: How efficient are school verification strategies?

- Less than half (42 percent) of the records selected by QA schools for verification experienced a change to a Pell Grant or a change to EFC greater than 400.

- Only 11 percent of the dependent and 12 percent of independent students with an automatic zero EFC selected for verification experienced a change to a Pell Grant or a change to EFC greater than 400.

- Schools that relied on a greater number of strategies to select students for verification were on average more efficient than schools that relied on fewer strategies.

Question #5: What effect do changes to ISIR fields, not available from the IRS, have on student eligibility for need-based aid?

- Fourteen percent of dependent students experienced a correction to the number in household field when verified. Over half of these students experienced a change to a Pell Grant or a change to EFC greater than 400.

- Twelve percent of independent students needed to correct the number in household initially reported. Half of these students experienced a change to a Pell Grant or a change to EFC greater than 400.

Question #6: What effect does school verification have upon improper payments in the Pell Grant program?

- QA school verification efforts prevented over-payments within the Pell Grant program equal to ten percent of the Pell awards based on the FAFSA information supplied on the initial application.

- Verification efforts also prevented under-payments equal to six percent of the total Pell initial volume.

Implications

- The majority (58 percent) of applicants selected for QA school verification did not experience a change to Pell or a change to EFC of at least 400.

- Nearly 90 percent of those applicants with an automatic zero EFC selected for QA verification did not experience a change to Pell or a change to EFC of at least 400.

- We were unable to detect strong relationships between the efficiency of verification efforts and either the ISIR data elements schools referenced or the methods schools used in applying this information to the selection of students for verification. We did, however, find that schools that used the greatest number of the five identified ways of applying information in their verification criteria were the most efficient.

- FSA should also look for ways to increase the level of detail it collects about QA schools' verification. Future program-wide analysis should identify and describe the verification practices of the most efficient and effective QA schools.

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 and efficiency of verification at schools participating in the Quality Assurance Program of the U.S. Department of Education (ED).

Schools participating in the QA Program develop their own school procedures for verifying the accuracy of the information that students supply on their Free Application for Federal Student Aid (FAFSA). The information submitted by students on their FAFSAs is sent electronically to schools on Institutional Student Information Records (ISIR). 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 4,618 in 2009-10 were generally eligible for a Pell Grant.

During the 2009–10 award year, ED asked the 143 schools participating in the Quality Assurance Program to upload the records that met one or more of their school's verification criteria into the ISIR Analysis Tool (the Tool). All but one of the schools successfully uploaded the initial and the paid-on transactions of the students the school selected for verification. The paid-on transaction included any corrections detected by their school verification procedures. Schools that selected more than 1,500 students for verification used a random sample of 1,500 records selected by the Tool during the upload process.

FSA's Central Processing System (CPS) provided us with a data file containing the 149,260 records uploaded by 142 QA schools. Our data quality checks revealed that 18 of these schools had at least one record in their submission that did not have the school verification flag set to "yes." When we contacted these 18 schools, 17 indicated they had failed to set the value of the school flag to "yes," but that all of their records were in fact selected for school verification. We imputed the school verified status to all of the records uploaded by these 17 schools. One school indicated that the school verification flags were correct in their submission, but they had mistakenly included non-selected records. We deleted the 970 records from this school that were not selected for verification and conducted all of our analysis on the remaining 148,290 ISIR records.

Because we only have records selected for school verification, we cannot address questions about what current QA school verification efforts may be missing. Every

other year, participating schools draw a random sample of applicants and verify the information from all of these students in order address this concern about what their verification efforts may be missing. We can use this information to assess the efficiency of QA school verification efforts. By examining the percentage of students who experience a meaningful change in aid eligibility, we can also identify sub-groups of students who demonstrate relatively low and high "rates of returns" to verification. Those people responsible for formulating QA school and CPS verification may want to consider reducing the number of students from groups this report identifies as unlikely to experience a meaningful change from their verification efforts. We can also use the records normally selected for QA school verification to demonstrate the role verification plays in preventing improper payments in the Pell Grant program.

In addition to analyzing the records selected for QA school verification, we also examine the responses QA schools provided to an online survey. The survey solicited their opinions about the usefulness of the Tool and asked schools to describe their school verification criteria. We received survey responses from 135 of the 143 participating institutions.

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

1. What types of schools participate in the Quality Assurance Program?
2. How do QA schools use the ISIR Analysis Tool and how useful do they find it?
3. How do QA schools select students for verification?
4. How efficient are school verification strategies?
5. What effect do changes to ISIR fields, not available from the IRS, have on student eligibility for need-based aid?
6. What effect does school verification have upon improper payments in the Pell Grant program?

Below we address each of these research questions in turn. We start by simply describing the schools that participate in the QA Program.

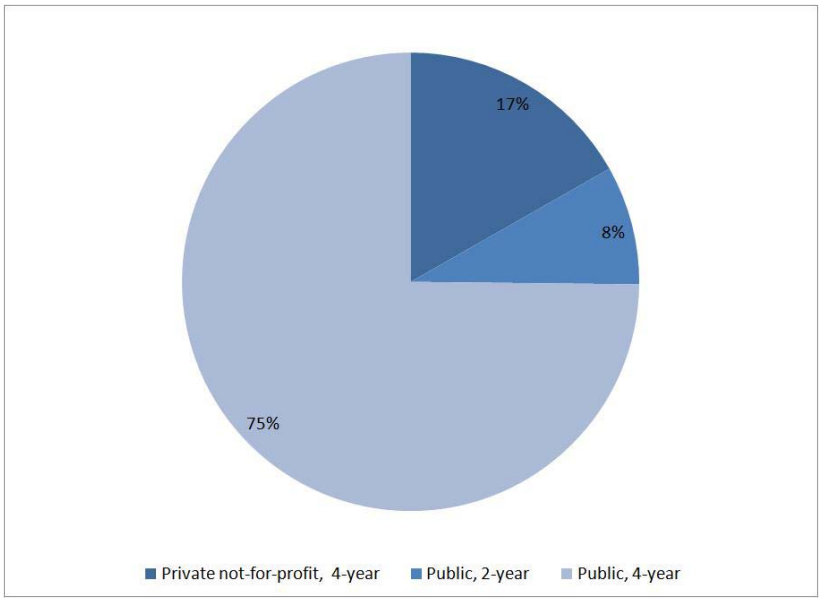
Research Question #1: What types of schools participate in the Quality Assurance Program?

It is important to keep in mind, when interpreting the results here, that QA schools are not a random subset of all higher education institutions participating in the Title IV programs. Both the school's initial decision to apply for and the ED's decision to allow participation in the QA Program depend on a school's willingness to demonstrate a commitment to improving the quality of administration of FSA programs.

In addition to being willing to take an active role in improving the accuracy of aid awards on their campus, the QA schools providing data for these analyses are concentrated in the public four-year sector of higher education. See **Figure 1**.

Public two-year and private not-for-profit four-year schools participate as well, but there are substantially fewer of these types of schools in the program.

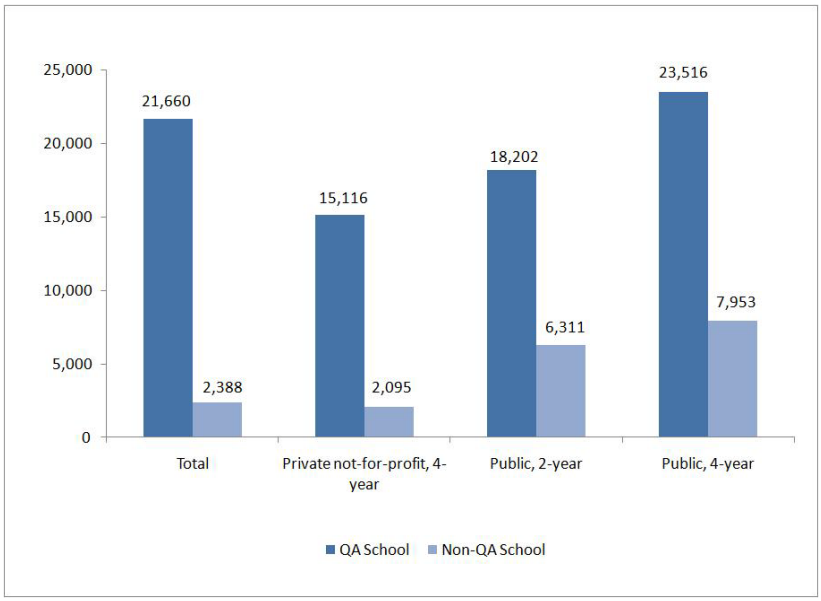
Figure 1: Quality Assurance Schools by Sector



Sources: Quality Assurance Program and Integrated Postsecondary Education Data, 2009–10. N=143

QA schools tend to enroll considerably more students than non-QA schools. **Figure 2** provides the average enrollment at QA schools and non-QA schools, both overall and broken out by type of institution. Note that on average, QA schools enroll nearly ten times as many students than other schools submitting data to ED's Integrated Postsecondary Education Data System (IPEDS). The QA schools are also substantially bigger within each of the three sectors represented in the program as well.

Figure 2: Average Enrollment by Type of Institution

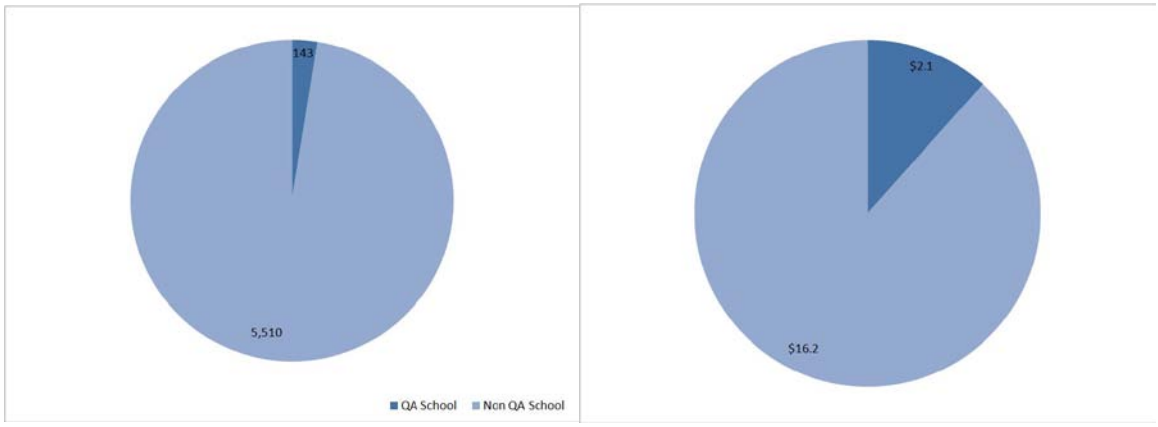


Sources: Quality Assurance Program and Integrated Postsecondary Education Data, 2009–10.

QA Schools N = 143, Non-QA Schools N = 6,983.

Because they enroll so many students, QA schools award a much larger share of the federal aid than expected given the small number of schools that participate in the program. While the 143 QA schools comprise less than 3 percent of the 5,653 campuses that disbursed Pell Grants during the 2008–09 award year, based on data from the National Student Loan Data System (NSLDS) the QA schools disbursed approximately 12 percent ($2.1 billion) of all Pell Grant dollars during the 2008-09 award year. See **Figure 3**.

Figure 3: Schools that Disbursed Pell Grants and Billions of Dollars of Pell Disbursements made by Quality Assurance Program Participation Status during the 2008-09 Award Year



Sources: Quality Assurance Program 2009-10 and National Student Loan Data System, 2008–09.

We now turn to the results from our customer satisfaction survey.

Research Question #2: How QA schools use the ISIR Analysis Tool and how useful do they find it?

During the spring of 2010, ED asked the QA schools to complete a customer satisfaction survey. This survey asked QA schools:

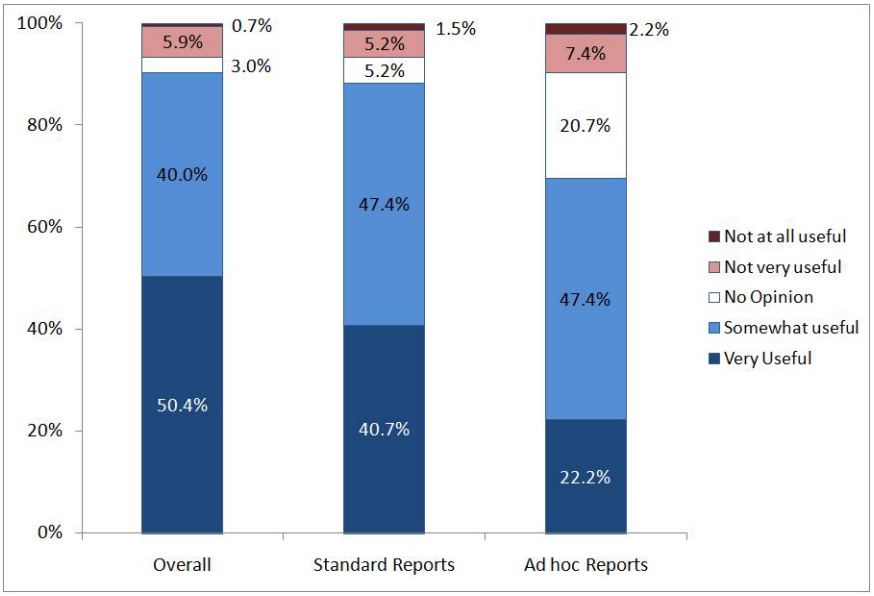
1. To rate the usefulness of the Tool;
2. How many staff members used the Tool;
3. When did the school last modify school verification selection criteria;
4. Whether the school verified all of the federally prescribed ISIR elements for all of the students selected for school verification;
5. Whether they verified any additional information (beyond the Federal Verification Worksheets); and
6. To identify the ISIR data elements they used and to characterize their methodology for applying this information to the selection of records for verification.

We discuss the first five types of school responses in this section. We examine the information collected about QA school verification practices in the next section.

Our survey included three measures of the Tool's usefulness. The first asked schools to rate the overall usefulness of the Tool. The second asked about the standard reports available in the Tool. Seven standard reporting templates allow schools to analyze changes to ISIR information and the effect of verification efforts on the accuracy of need-based financial aid. The third "usefulness" item asked about the ad hoc reporting capacity of the Tool. Schools using the Tool have access to Information Builders "Report Assistant," a commercial off-the-shelf reporting tool, to create their own reports using any of the data they have uploaded into the Tool.

Figure 4 presents the distribution of responses for the 135 schools that responded to the survey. Nearly all of the QA schools found the Tool to be useful. Ninety percent of schools indicated that overall they found the Tool to be "somewhat" or "very" useful. It is interesting to note that while the percent of positive responses for the two more specific items remained high, a greater percentage of schools indicated "no opinion" when asked specifically about standard and ad hoc reports. This was particularly the case for ad hoc reports, where a fifth of respondents indicated "no opinion." This could be because QA schools use the Tool differently and a large minority of schools may not use the ad hoc reports at all.

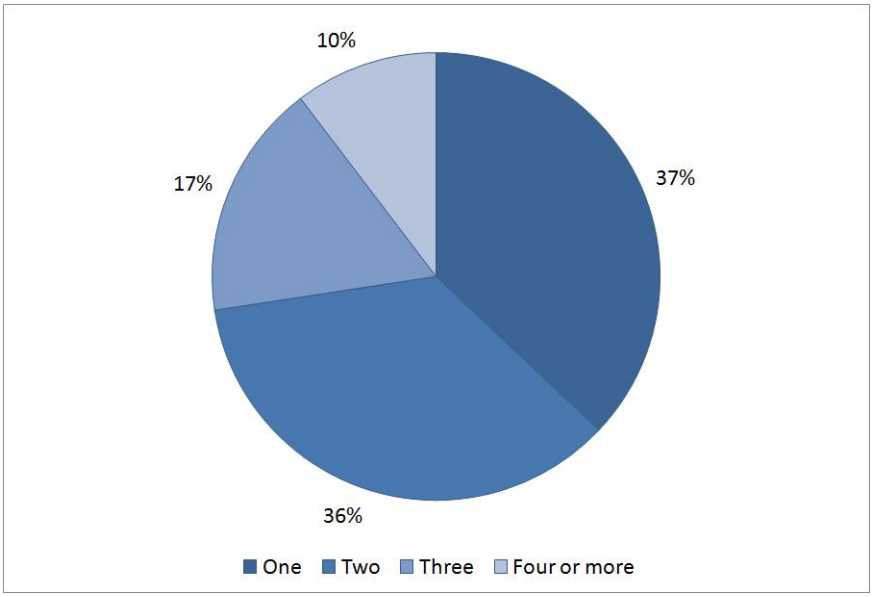
Figure 4: Responses of Quality Assurance Schools to Survey Items Assessing Usefulness of the ISIR Analysis Tool



Source: Quality Assurance Program 2009-10. N = 135.

Our survey also asked schools, "How many people at your school used the ISIR Analysis Tool during this award year?" **Figure 5** below presents the distribution of school responses to this survey item. Nearly two-thirds, 63 percent of the schools indicated that more than one staff member used the Tool. Ten percent of the schools indicated that four or more staff members used the Tool.

Figure 5: Percentage of Schools Reporting the Indicated Number of Staff Members Using the Tool



Source: Quality Assurance Program 2009-10. N = 135.

For the next three questions, we found that most QA schools provided the same answer. A large majority, 103 of 135 schools (76 percent), indicated that they had modified their verification selection during the current 2009-10 award year. A similar large majority, 99 of 135 schools (73 percent), reported that they collected all the information requested on the Federal Verification Worksheets for all the students selected for school verification. The QA Program affords participating schools the regulatory freedom to decide what information they verify in addition to the discretion of deciding which students to verify. However, only a minority, 36 of 135 schools (27 percent), exercise this option. Finally, most QA schools, 100 of the 135 schools (74 percent) indicated that they collected additional information, beyond the Federal Worksheets, during their QA school verification process.

This completes our discussion of the school survey items that measure some general aspects of QA school verification efforts. In the next section, we explore answers to the survey items that address the specific ISIR data fields and analytic strategies schools used to select students for verification.

Research Question #3: How do Quality Assurance schools select ISIR records for verification?

On the school survey, we asked schools to identify both the type of information and the method for using that information in the selection of students for school verification. We asked schools to indicate yes or no to whether or not they used eight specific types of ISIR data elements in selecting records for their school verification process. These eight were:

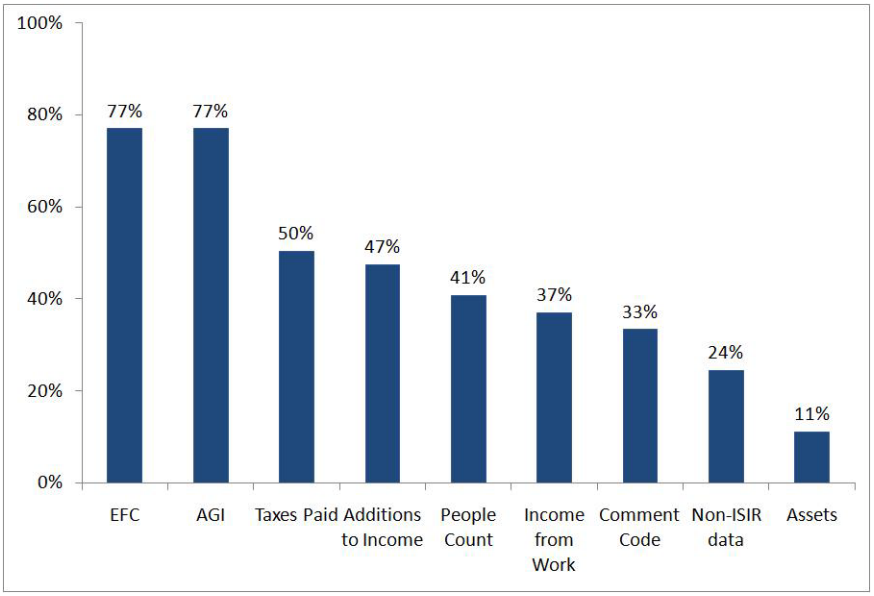
1. Expected Family Contribution (EFC);
2. Adjusted Gross Income (AGI);
3. Income from Work;
4. Additions to income;
5. Taxes Paid;
6. Assets (i.e. cash, net-worth of business, net-worth of investments);
7. Counts of people (i.e. number in household, number in college); and
8. Comment codes.

We also asked schools about a ninth type, non-ISIR, pieces of information they used in their verification process. Unfortunately, we failed to include the ISIR data elements that indicate the student and parent(s) federal tax filing status on our survey. Several schools informed us directly that they did use filing status fields among their verification criteria. We will correct this oversight in next year's survey, but we will not be able to address QA school use of filing status information in this year's report.

Figure 6 presents the percentage of schools using each type of the eight ISIR fields plus a ninth category indicating the use of non-ISIR information. Note that EFC and AGI are the most commonly used fields, while the smallest number of schools used assets. Percentages sum to more than 100 because most schools use multiple types of ISIR data. In fact, the 135 schools reported using 538 types

of information in selecting students for verification. Therefore, the average number of types of information in a QA school's verification criteria was approximately four.

Figure 6: Percentage of Schools Using the Indicated Type of Data in Their School Verification Criteria



Source: Quality Assurance Program 2009-10. N = 135.

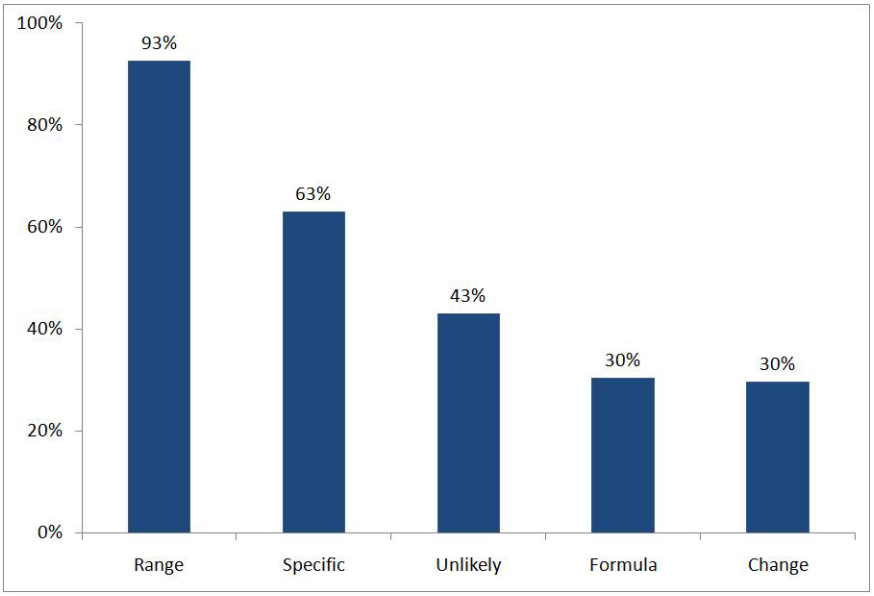
When a school indicated that they used a particular type of data, we asked them to describe their strategy for using the information in selecting records for verification. We asked schools to select the description from the following list that best described their use(s) of that type of data:

1. Within a range of values (for example: less than, greater than, between);
2. With a specific value (for example: zero, blank);
3. With values that seems unlikely given the values on other ISIR fields;
4. Who experience a change in value on this field compared to an early transaction from this award year or from a previous award year (either any change or change exceeding a specified amount); and
5. Whose value calculated by numeric formula or statistical model combining this ISIR field and other data indicates that he or she is a good candidate for verification.

Because schools could use the same data field in multiple ways, we asked schools to indicate all the strategies that applied. Therefore, the number of analytic strategies used exceeds the number of types of information identified by the school. QA schools identified 932 ways of using the 538 types of information (for an average of 1.7 per type of data).

Figure 7 presents the percentage of schools that applied each of the five analytic strategies to at least one type of information. Note that the most common strategy was using a range, used by 93 percent of the schools. We believe the nearly universal use of ranges among verification criteria is due to the several years QA schools have spent analyzing changes to their ISIR records with the Tool's "Field Increment Report." That report presents the prevalence of changes to ISIR information and aid eligibility across value ranges of a user-selected ISIR field.

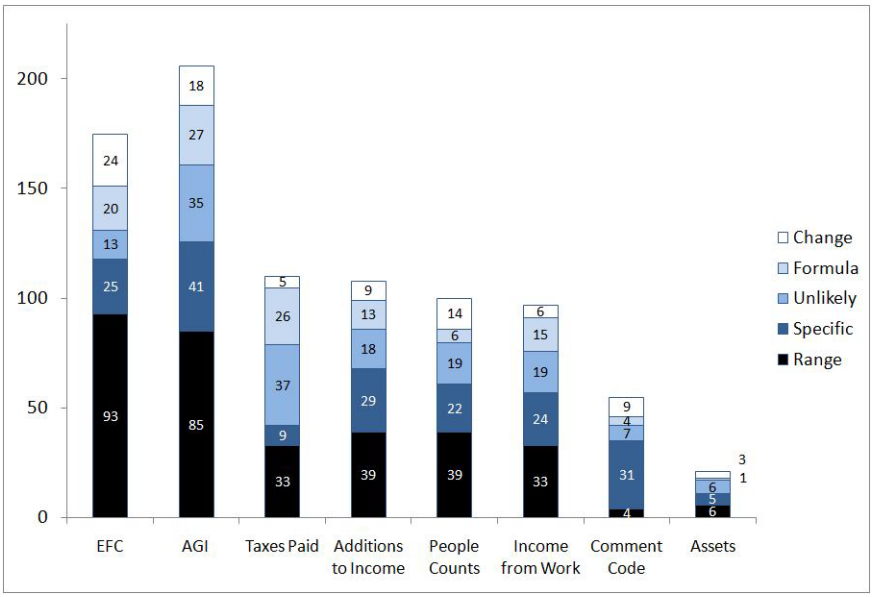
Figure 7: Percentage of Schools Using the Indicated Analytic Strategy in Their School Verification Criteria



Source: Quality Assurance Program 2009-10. N = 135.

The strategies schools used did vary with the type of information. **Figure 8** presents the number of schools that indicated they used a particular strategy for the indicated type of ISIR field. We did not include other, because the type of information reported under the "other" category varied from school to school. Note the pronounced use of ranges for the EFC and AGI fields. When schools used Taxes Paid, they tended to use the "Unlikely" strategy. Typically, they would select students for verification when the ratio of their Taxes Paid to AGI exceeded some threshold. The height of the bars in **Figure 8** varies slightly from **Figure 6** because schools were more likely to use some types of information in multiple ways.

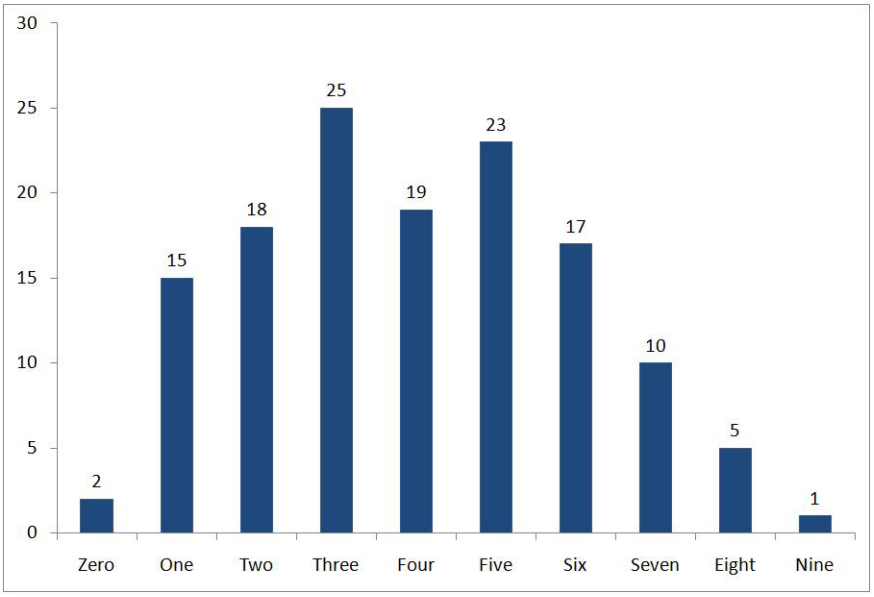
Figure 8: Number of Schools Using the Indicated Strategy with the Indicated Type of ISIR Field



Source: Quality Assurance Program 2009-10. N = 135.

Figure 9 provides the distribution of the QA schools across all possible number of types of information used. Note two schools did not indicate use of any of our identified categories. They may have used filing status fields or other ISIR information that was not included in our questionnaire. They may also be conducting 100 percent verification to assure that institutional money is delivered strictly according to documented need. Whatever the case, their survey responses indicate they did not use any of the types of information we inquired about.

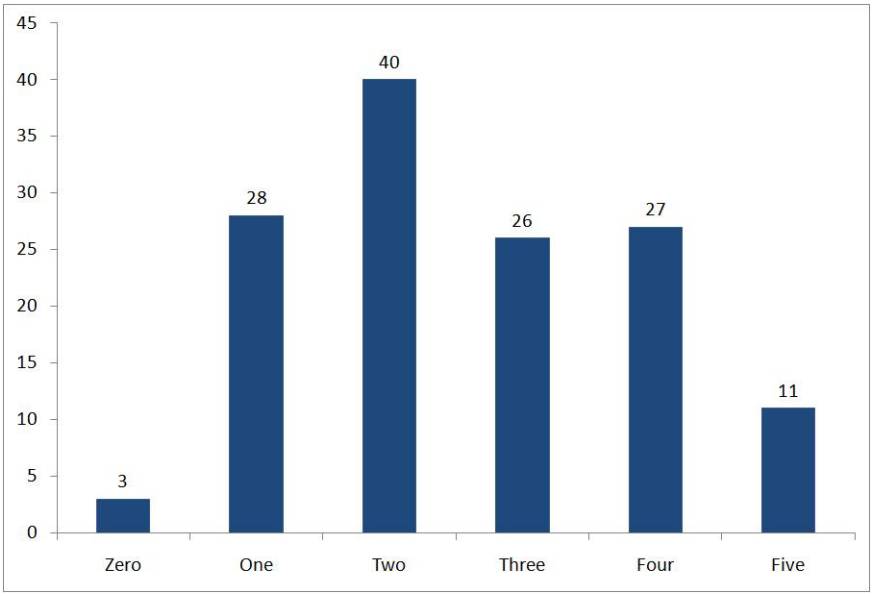
Figure 9: Number of Schools Using the Indicated Count of Types of Information



Source: Quality Assurance Program 2009-10. N = 135.

Figure 10 provides the distribution of the QA schools across the number of unique strategies. By unique strategies, we mean how many of the five listed options presented did the school indicate using for at least one type of information. If a school used ranges for six different ISIR fields to select records for verification, we would classify them as having one strategy.

Figure 10: Number of Schools Using the Indicated Count of the Five Strategies



Source: Quality Assurance Program 2009-10. N = 135.

We turn now to looking at the efficiency of school verification efforts. At the end of that discussion, we explore what – if any – relationships exist between how QA schools select aid applicants for verification and the efficiency of those efforts.

Research Question #4: How efficient are QA school verification efforts?

This section begins our assessment of the school verification practices employed by the institutions participating in the QA Program. During the 2009-10 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 how the efficiency of verification varies for different types of students. We remind the reader that we cannot address what school verification efforts may be missing with this year's data. Since we only have information from students that schools currently select for verification, we can only explore which of types of students may not have needed to be verified.

A fundamental premise of the QA Program is that individual schools are in the best position to judge whether verification of a particular student is necessary. Still, we wanted to apply a uniform standard to facilitate program-wide analysis. Since the 2006-07 award year, we have used the concept of a "major change" to identify applicants that are good candidates for verification. We defined "major

change" as any change to a Pell Grant or an EFC change in excess of 400. We understand that individual schools would typically not be concerned with EFC changes, no matter how large, when they occur above that school's cost of attendance. Given the wide variation in the cost of attending the QA schools, we chose not to apply any restrictions on where on the EFC scale a change of at least 400 took place.

The primary question we can address in this section of the report is, "How well did QA school verification efforts avoid selecting records without a change in aid eligibility of this magnitude?" To answer this question we divided the combined sample data into two mutually exclusive and exhaustive categories.

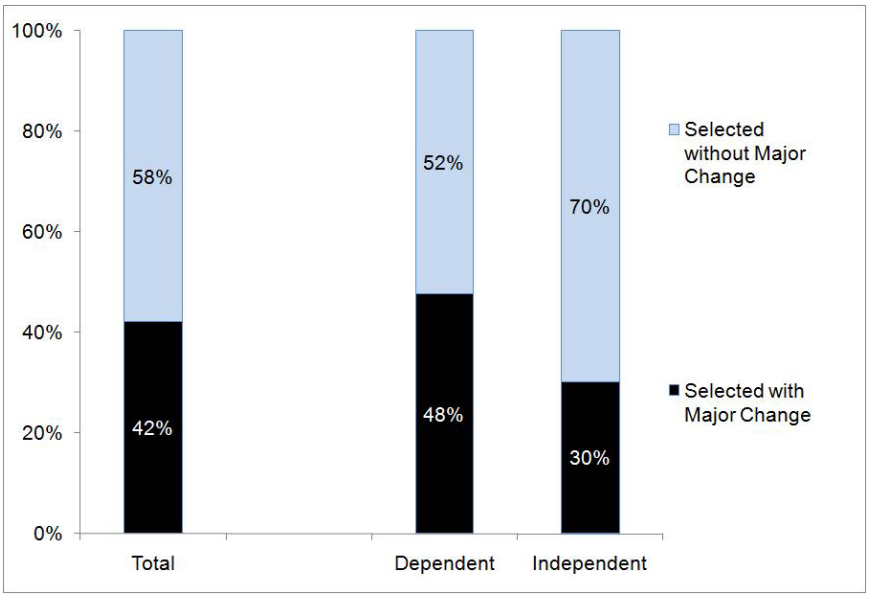
1. **Selected with a major change** – Current verification efforts are treating these applicants correctly. Through verification, schools are mitigating an elevated risk for a misallocation of need-based aid.
2. **Selected without of a major change** – Current verification efforts may be less useful for these applicants. The burden of verification is borne by both schools and applicants with no appreciable effect on aid eligibility.

A recent report published by The Institute for College Access and Success presented quantitative and qualitative data from several community colleges in California that suggests that selecting applicants for verification reduces the probability that Pell Grant eligible applicants will matriculate.[1]

Figure 11 presents the distribution across these two categories for all records and for records broken out by dependency status. Note that only 42 percent of all ISIR records selected by QA schools for verification experienced a change to a Pell Grant or a change to EFC in excess of 400. The percent of records experiencing a major change was higher for dependent (48 percent) than it was for independent (30 percent) students.

[1]Debbie Frankle Cochrane, Andrew LaManque, and Laura Szabo-Kubitz. *After the FAFSA: How Red Tape Can Prevent Eligible Students from Receiving Financial Aid*. Oakland, California: The Institute for College Access and Success, July, 2010

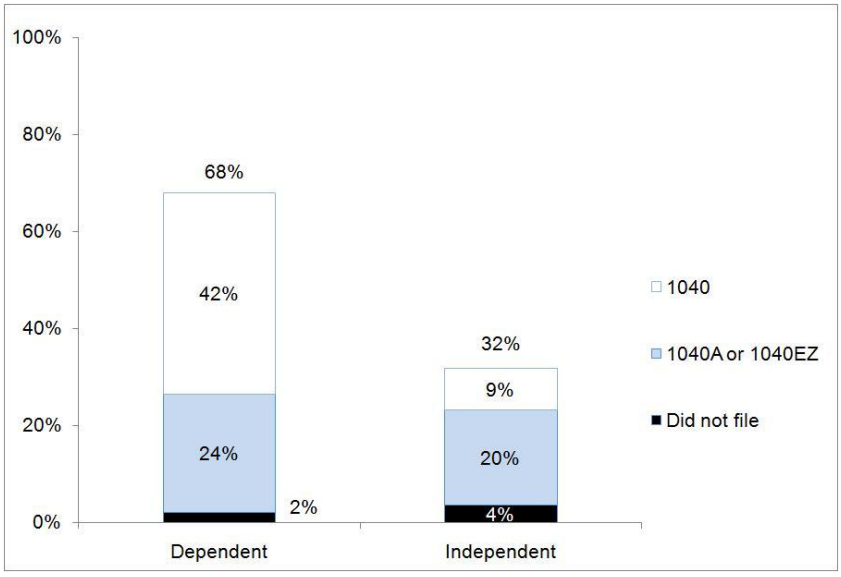
Figure 11: Efficiency of QA School Verification Overall and By Dependency Status



Source: Quality Assurance Program 2009-10. N = 148,290

The next two figures display the percentage of all records falling into various categories defined by the combination of dependency status and the type of tax form the applicant filed (**Figure 12**) and type of needs analysis applied to the application (**Figure 13**). Note the six values displayed inside the twin columns may not sum to 100 due to rounding error. The values displayed on top of each column indicate the total percentage of dependent (68 percent) and independent (32 percent) students among records selected by the QA schools for verification.

Figure 12: Percentage of Records Selected for QA School Verification by Dependency Status and Type of Tax Form

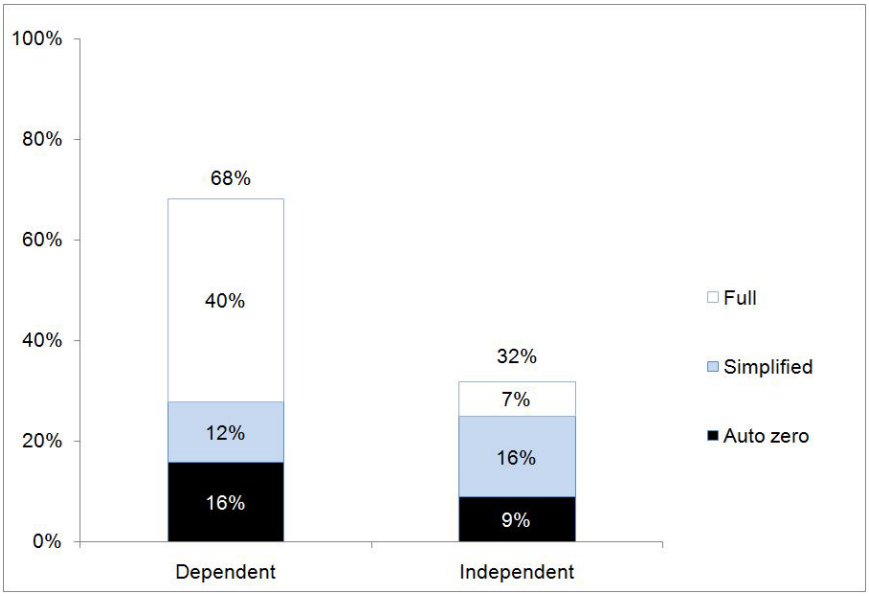


Source: Quality Assurance Program 2009-10. N = 148,290

Note in **Figure 12** that the majority of dependent students file the 1040 while the majority of independent students file the 1040A or 1040EZ. Only a small minority of both dependent and independent students indicated they had sufficiently small incomes that they were not required to file federal tax forms.

Figure 13 indicates that more than half of the dependent students required full federal needs analysis while half of the independent students qualified for simplified needs analysis. Twenty five percent of all records qualified for an automatic zero EFC, based on the information on their initial FAFSA application. The auto zero figure was derived by adding the 16 percentage points from dependent students and the 9 percentage points from independent students.

Figure 13: Percentage of Records Selected for QA School Verification by Dependency Status and Type of Needs Analysis Performed



Source: Quality Assurance Program 2009-10. N = 148,290

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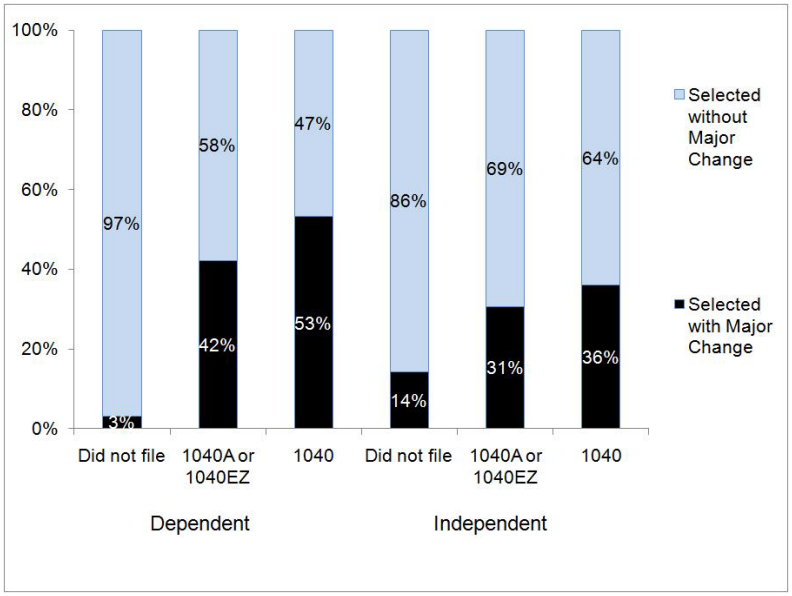
The next two figures present efficiency statistics for the several sub-populations identified in the figures above. **Figure 14** presents the results for dependency status and tax form. Note how rarely QA schools detected a major change in aid eligibility among non-filers. In contrast, note that more than half (53 percent) of the dependent students who were verified and used form 1040 experienced a major change.

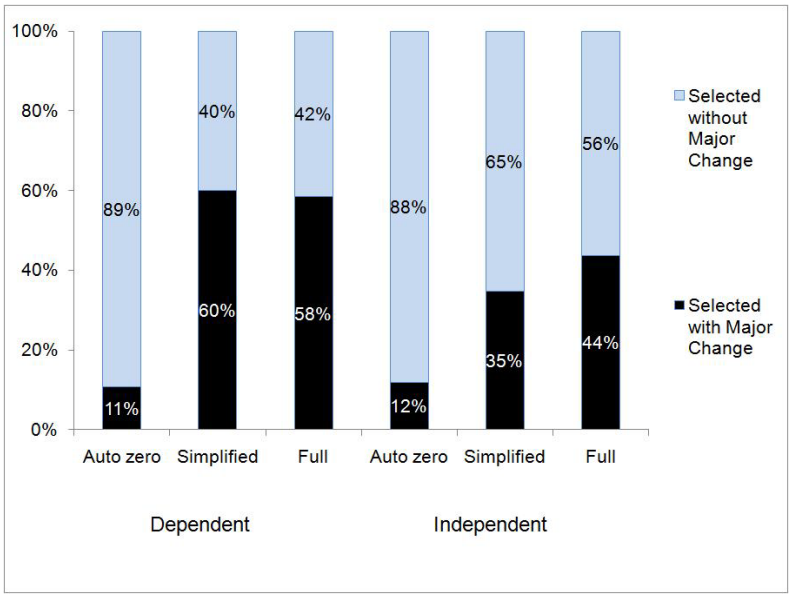
Figure 14: Efficiency of QA School Verification by Dependency Status and Tax Form



Source: Quality Assurance Program 2009-10. N = 148,290

Figure 15 presents efficiency data by dependency status and the type of needs analysis performed. As we have seen in previous analyses, those applicants who qualify for an automatic zero EFC on their initial applications were relatively poor bets for verification. Among the records selected for verification by the QA schools, only 11 percent of dependent and 12 percent of independent students with an automatic zero experienced a change to their Pell award after completing verification. It is interesting to note that the highest percentage of meaningful changes occurs among dependent students qualifying for simplified (60 percent) rather than full (58 percent) needs analysis. Because we only have the records QA schools chose to verify, we cannot determine whether this is due to dependent students qualifying for simplified needs analysis being more likely to make mistakes on their initial application or because QA schools were better at selecting good candidates for verification among dependent students qualifying for simplified needs.

Figure 15: Efficiency of QA School Verification by Dependency Status and Type of Needs Analysis

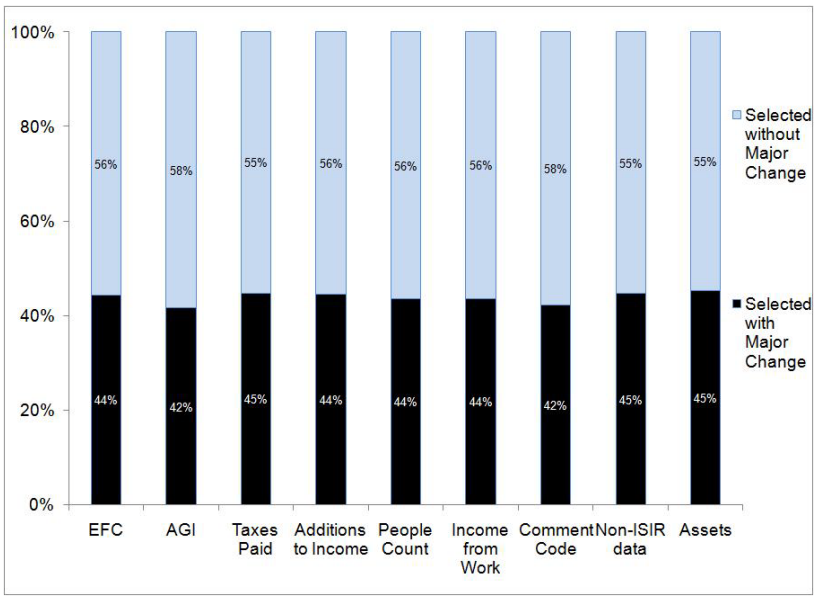


Source: Quality Assurance Program 2009-10. N = 148,290

Figures 14 and **15** reveal striking differences in the tendency of different types of students to experience a major change in aid eligibility. We failed to find such dramatic differences when we investigated whether or not QA school use of specific types of information or analytic strategies affected the relative efficiency of their school verification efforts.

Figure 16 indicates virtually no discernable effect of QA schools using any one of the nine types of information to select students for verification. Recall that in **Figure 11,** we presented the fact that 42 percent of all records selected by QA schools experienced a change. Most of the nine information types exhibited a slight improvement to this overall average. Differences between QA schools in terms of the type of information they use to select students appear not to have much of an effect on the efficiency of verification.

Figure 16: Efficiency of QA School Verification by School Use of Indicated Type of Information

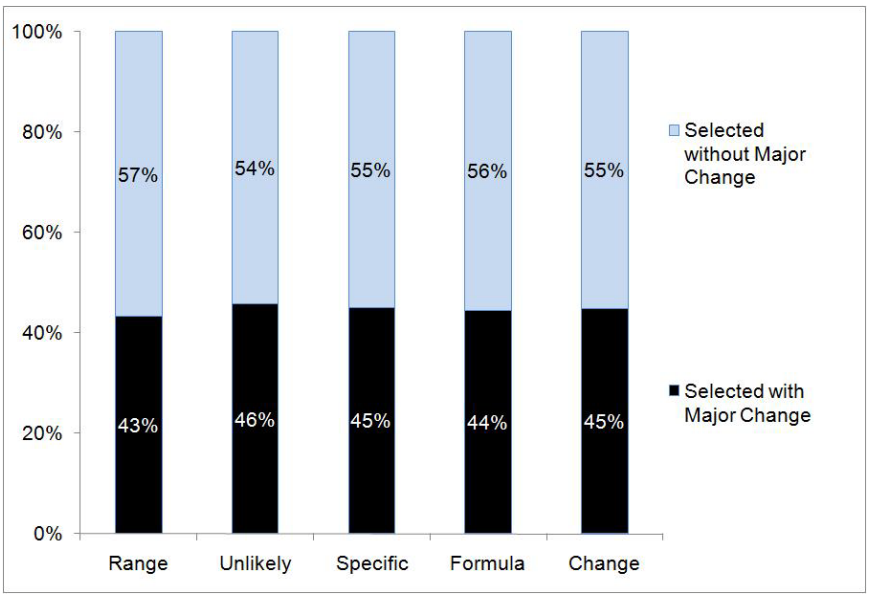


Source: Quality Assurance Program 2009-10. N=142,435

Please note that the number of student records used to generate **Figures 16** through **19** was 142,435 rather than the 148,290 used in previous figures. This reduction is because we exclude the 5,855 records from the seven schools that did not submit surveys from these analyses.

Figure 17 displays the relationship between how schools use ISIR information to select records for verification and efficiency. We see only modest one to four percentage increases in the percentage of verified records experiencing a major change when we limit calculations to schools using the indicated strategy. Just as we saw for type of information, whether or not schools used one of the analytic strategies identified by the survey did not seem to affect efficiency of verification very much.

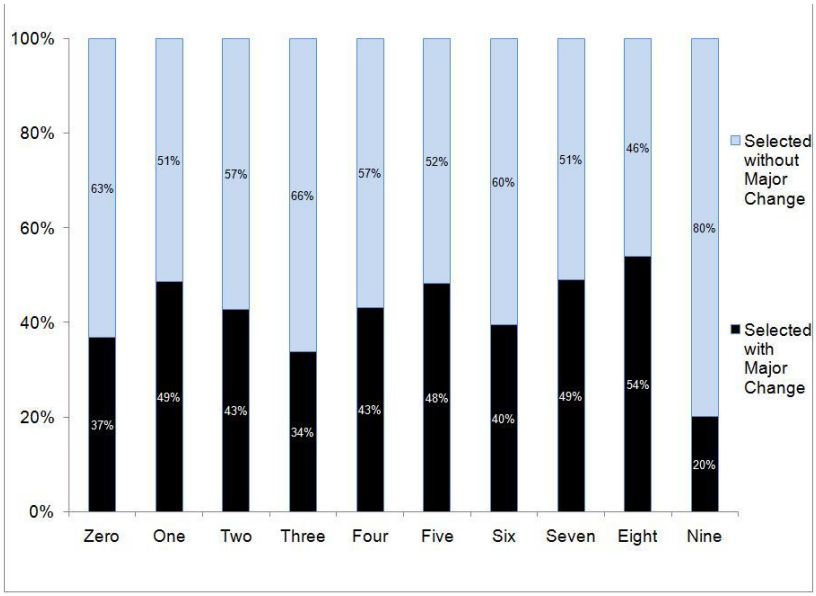
Figure 17: Efficiency of QA School Verification by School Use of Indicated Analytic Strategy



Source: Quality Assurance Program 2009-10. N=142,435

Figure 18 presents efficiency statistics by the number of types of information schools referenced when selecting applicants for verification. While we see some differences between counts, there is not a discernable pattern to these variations. As we read Figure 18 from left to right the number of types of information increases consistently, however the average efficiency levels go both up and down. The highest percentage of selected records with a major change was registered among schools that used eight different data elements (54 percent), but schools that used only a single data element (49 percent) tied schools that used seven (49 percent) for the second highest score.

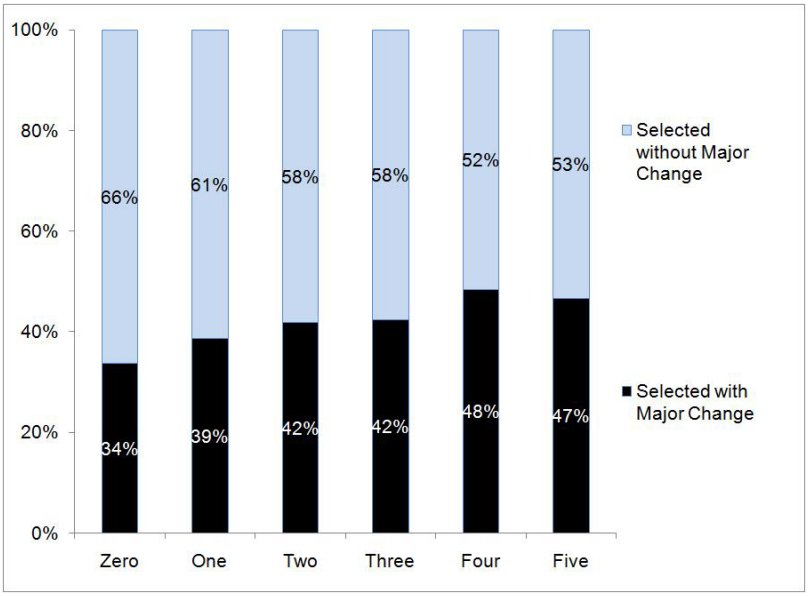
Figure 18: Efficiency of QA School Verification by the Number of Types of Information Used



Source: Quality Assurance Program 2009-10. N=142,435.

Figure 19 examines the relationship between efficiency and the number of analytic strategies schools used to select applicants for verification. Although we see a plateau between four and five strategies, it does seem that on average schools using a greater number of strategies had more efficient verification efforts. That is a higher percentage of the records selected for verification experienced a major change.

Figure 19: Efficiency of QA School Verification by the Number of Analytic Strategies Used



Source: Quality Assurance Program 2009-10. N=142,435.

Research Question #5: What effect do changes to ISIR fields, not available from the IRS, have on student eligibility for need-based aid?

ED continues to make strides in a multiple-year and multi-faceted effort to simplify the FAFSA. Providing students with the option of retrieving relevant tax information from the Internal Revenue Service (IRS) and importing these data into the FAFSA is one aspect of this ongoing effort. This effort will reduce the barrier between potential college students and higher education. It will also make it easier for applicants to receive the full amount of federal financial aid assistance warranted by their individual economic situation. Starting in January of 2010, students had the option to transfer their own and their parents' tax data from the IRS to the applicable lines of their FAFSA.

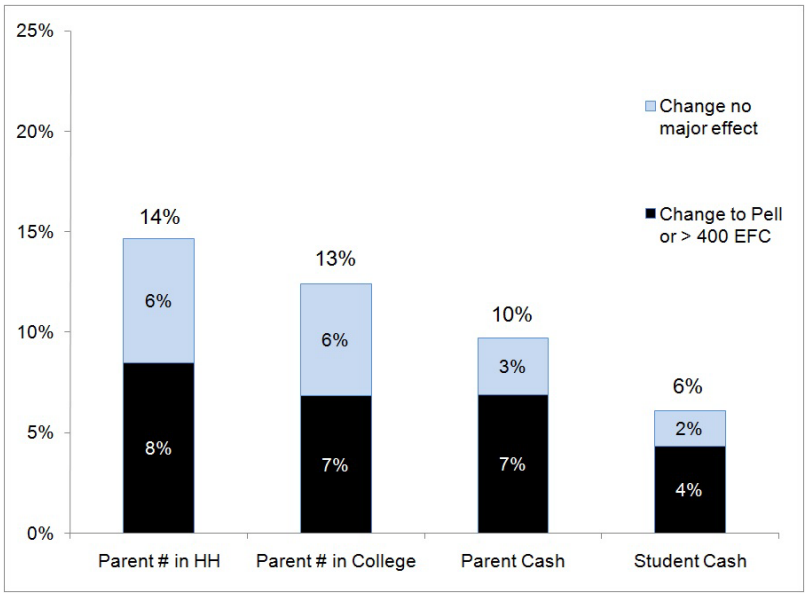
The student option of importing IRS data directly into the FAFSA has implications for both CPS and school verification. Past analysis of data from QA schools revealed that these tax items (e.g., adjusted gross income and federal taxes paid) were among the most likely to experience a change and that changes to these fields were associated with a relatively high percentage of meaningful changes to aid eligibility. Presumably, there will be little need for schools to continue to verify this tax information for the students who retrieved data directly from an IRS

website. While not all students will be able to use the new IRS data retrieval functionality, primarily because they will need or want to apply for aid before IRS data is available, this change will likely reduce the need to verify tax information. Therefore, we were interested in examining the effect the changes to other non-IRS ISIR fields had on aid eligibility.

Since we are using the records selected for 2009-10 QA school verification, we acknowledge that our analysis below is not capturing all potential changes to non-IRS information. We are looking only at the changes experienced among that subset of applicants selected for QA school verification. Even with this limitation in scope, we were able to detect non-trivial levels of changes to these fields with meaningful consequences for student aid eligibility.

Figure 20 presents the information on the four most commonly changed non-IRS fields among dependent students. The overall height of each column represents the percentage of records experiencing a change to the indicated field. Each column is divided into two portions: the percentage that experienced a major change (black) and the percentage with no change to a Pell Grant and an EFC change of 399 or less (light blue). Note the non-IRS fields most commonly corrected by QA school verification involved counts of people and reports of cash on hand at the time of the initial FAFSA application.

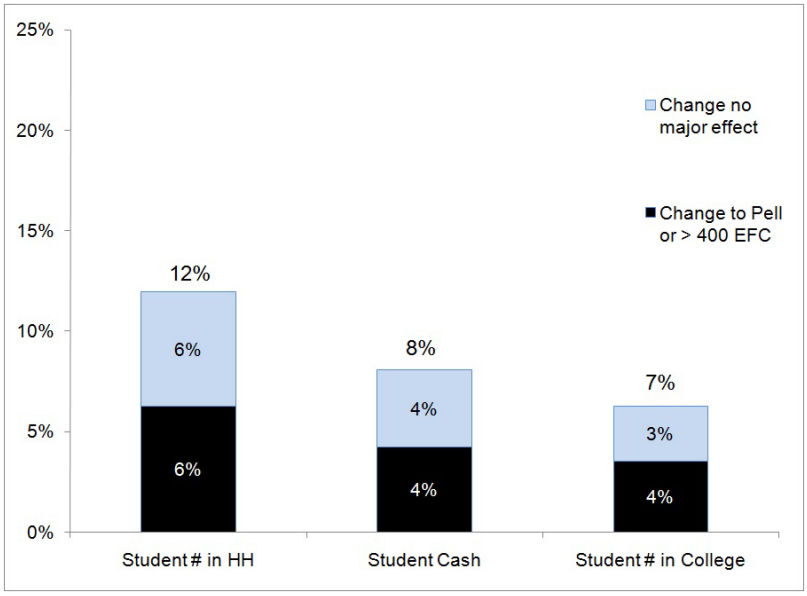
Figure 20: Changes to Non-IRS Data Fields, Dependent Students



Source: Quality Assurance Program 2009-10. N = 101,164

Figure 21 displays similar findings in the three most commonly changed non-IRS fields among independent students. Again, the most problematic fields were household size, student's cash and number in college.

Figure 21: Changes to Non-IRS Data Fields, Independent Students



Source: Quality Assurance Program 2009-10. N = 47,126

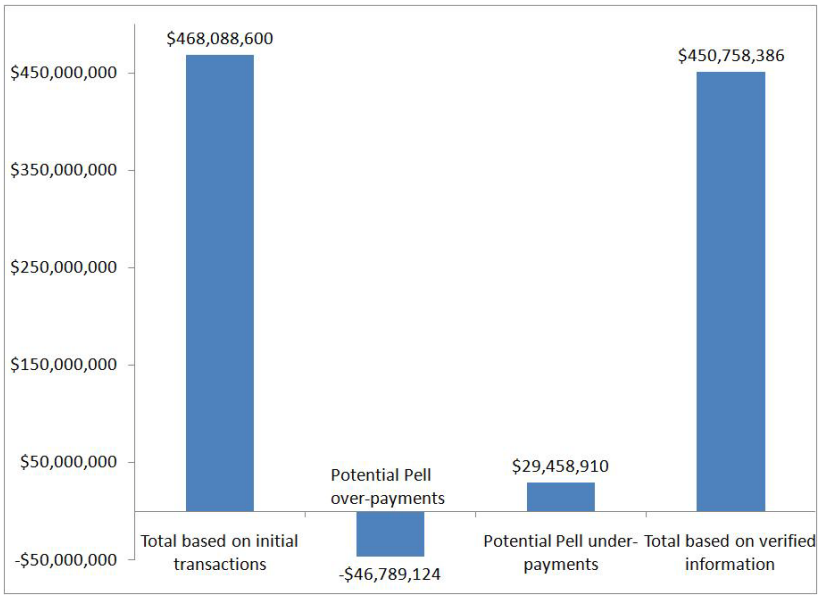
Research Question #6: What effect does school verification have upon improper payments in the Pell Grant program?

Below we assess the ability of schools to prevent "potential" improper payments in the Pell Grant program during the 2009-10 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 22 presents four values. The first number, 468 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 47 million dollars 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 10 percent of the Pell dollars that would have been awarded based on the initial transactions. The third column of 29 million dollars 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 6 percent of initial Pell

eligibility. Combining over- and under-awards corrections, schools prevented potential improper payments of 16 percent of initial Pell eligibility. The final value in the graph is the total amount of the verified Pell awards.

Figure 22: Potential Improper Payments in the Pell Grant Program



Source: Quality Assurance Program 2008-09.

Implications

The 143 schools participating in the QA program during the 2009-10 award year had an average enrollment of more than 20,000 students. Given their large size, this relatively small number of schools disbursed nearly one of every eight Pell dollars. Collectively, they administer Title IV aid for a sizable share of FSA student customers.

QA schools are using the ISIR Tool and applying the results of their analysis to their verification efforts. Nearly all (90 percent) of the QA schools reported they found the Tool to be very or somewhat useful. The nearly universal (93 percent) use of ranges by QA schools in the selection of students for verification is likely related to schools identifying the most problematic ranges using the Tool's Field Increment Report. ED should be aware of the direct connections schools seem to be making between the content of Tool reports and selection criteria as they develop training materials and in any future updates to the Tool's reports themselves.

Given that all the ISIR data analyzed in this report was selected for QA school verification, we cannot address any concerns about what these verification efforts may be missing. We can only assess the efficiency of these efforts. That is, where and when did the verification seem necessary. The majority (58 percent) of applicants selected for QA school verification did not experience a change to Pell

or a change to EFC of at least 400. However, the vast majority of high need applicants (i.e., automatic zero EFC) failed to register this magnitude of change after supplying documentation of their FAFSA information. Despite the fact that these high-need students typically receive the maximum Pell Grant and perhaps other scarce need-based funding, we recommend that QA schools evaluate their verification efforts among these types of students to determine the impact on awards.

We were unable to detect strong relationships between the types of information used by QA schools to select students for verification and the efficiency those efforts. We also did not see efficiency differences between schools that did and did not make use of any one of five different ways of employing information to select applicants to verify. We did, however, find that schools that used the greatest number of the five identified ways of applying information in their verification criteria were the most efficient. ED should look for ways to encourage schools to increase the variety of approaches for applying data in future verification selection criteria. ED should also look for ways to increase the level of detail it collects about QA schools' verification. We suggest that future program-wide analysis identify and describe the most efficient and effective verification practices at QA schools.

As FSA continues to implement steps toward FAFSA simplification, we suggest considering leveraging the existing relationship established with the schools participating in the QA Program to monitor the implications of progress in this area. Our analysis of changes to non-IRS fields uncovered by QA verification efforts revealed a non-trivial level of change to these fields leading to meaningful changes to student eligibility for Pell Grants and other need-based aid.

Finally, QA verification efforts play an important role in the prevention of improper payments within the Pell Grant program. School verification helped prevent over-payments equal to ten percent and under-payments of six percent of the initial Pell volume.