SPRING CONFERENCE

Kansas City, Missouri

2003

CPS Edits and Verification Selection: Improving the Accuracy of Applicant Information

Introduction

- **Presenters:**
  - Jeanne Saunders, FSA
  - Teri Hunt, ORC Macro/CPS
- **Who is this session for?**
  - All levels of users
- **Evaluations**
- **Questions**

Agenda

- **Improving Accuracy of Applicant Data**

- **CPS Data Integrity Edits**

- **CPS Verification Selection Process**

Improving Accuracy of Applicant Data

- Title IV Programs have significant and long- standing public and political support
  - More than $10 Billion in Pell Grant alone
  - More than $50 Billion Total Aid
- To maintain this support we must ensure that money is spent properly – right money to right students.

Improving Accuracy of Applicant Data cont.

- System of Self-Reported Data

  - Corrections and updates needed

  - Reporting of estimated income required to meet institution and state deadlines

Improving Accuracy of Applicant Data cont.

Tools for Ensuring Accuracy

- IRS Match
- Verification
  - Selection criteria refined using IRS match data and statistical model
- Outreach and Training
- Technical Assistance
- Program Review Focus

Improving Accuracy of Applicant Data cont.

IRS Match

- Provision added to 1998 Higher Education Amendments authorizing ED to confirm with IRS AGI, taxes paid, number of exemptions, and tax filing status reported on FAFSA

- Treasury Department has determined that Internal Revenue Code (IRC) must be amended before IRS match with ED can be implemented

Improving Accuracy of Applicant Data cont.

IRS Match

- IRS income match is one of ED's top priorities

- ED and Treasury drafted revised IRC language and forwarded to Congress

- Passage is pending

CPS Data Edits

- FAFSA data is subjected to several types of data edits during processing to ensure data integrity

- Edits initially developed for paper filers but have been expanded and revised to include electronic filers

CPS Data Edits cont.

- Edits developed based on eligibility requirements, consistent responses to application questions, statistical data, correction behavior, policy issues, results of verification, etc.

- Re-evaluated and revised annually

CPS Data Edits cont.

- Three basic types of edits performed:
  - Assumptions
  - Rejects
  - Warnings

CPS Data Edits cont.

- **Assumptions**
  - Use available data to make reasonable assumptions for missing or inconsistent answers
  - Allow processing to continue and EFC to be calculated for more applicants
  - Only requires a correction if assumption is incorrect

CPS Data Edits cont.

- **Rejects**
  - Critical data is missing or obvious errors are identified
  - Requires correction to add or change data
  - Non-verifiable – data must be changed (numeric codes)
  - Verifiable – data may be verified as correct or changed (alpha codes)

CPS Data Edits cont.

- **Rejects (cont.)**
  - Examples:
    - Reject 5 – Date of Birth is missing; must be provided to continue processing and calculate EFC
    - Reject C – Taxes Paid is greater than or equal to 40% of AGI; data can be verified as correct or corrected to new value to continue processing and calculate EFC

CPS Data Edits cont.

- **Warnings**
  - Reported data is unusual but not severe enough to be rejected
  - Data highlighted for applicant review; corrected if necessary
  - Example: Independent student reports "No" to Legal dependents/Do you have children and number of family members is greater than 2

CPS Data Edits cont.

- Assumptions, rejects, and some warning edits are performed by electronic products (EDExpress and Web applications) to increase accuracy of data and reduce need for corrections

CPS Data Edits cont.

- **Relevant changes for 2003-04**
  - New reject for Dependent and no parent SSN reported (Reject 9)
  - New rejects for Dependent and parent SSN reported is not in valid range (Reject D – Father, Reject E - Mother)
  - New reject for Taxes Paid is equal to or greater than 40% of AGI (Reject C)
  - Modified reject for Taxes Paid is equal to or greater than AGI (Reject 12)

CPS Verification Selection Process

- Quality Control studies conducted in the early 1980's showed significant applicant error

- To minimize applicant error, in 1986-87 ED implemented an integrated verification process for Title IV programs

- CPS edits developed to select applications with potential errors

- Current verification process not perfect

CPS Verification Selection Process cont.

ED/IRS Statistical Study

- In 2001 and 2002, ED and the IRS conducted joint statistical studies to --
  - Determine frequency of income misreporting on the FAFSA
  - Calculate Pell Grant awards that would have been awarded had IRS income been used in need analysis
  - Estimate extent of Pell Grant award error

CPS Verification Selection Process cont.

ED/IRS Statistical Study

- Study compared both students' and parents' FAFSA AGI and taxes paid information to IRS

- IRS provided aggregated statistical tables to ED

CPS Verification Selection Process cont.

ED/IRS Statistical Study

- **Results show significant --**
  - Discrepancies between FAFSA and IRS income
  - Erroneous payments in the Federal Pell Grant Program

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- **Annual Process**
  - New selection criteria developed
  - Designed to evaluate and strengthen the verification approach
  - Thorough statistical and empirical analysis performed

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- Objectives
  - Goal of selecting minimum effective number of applicants who have the most error
  - Total misallocated payments considered

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- Data Used
  - Minimum of 2 years applicant and payment data used in analysis
  - Use of IRS data from tax year 2000 added for development of 2003-2004 selection criteria

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- Data Used
  - Income-related variables used as main predictors
  - Includes calculation of estimated taxes and comparison to reported taxes

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- **Use of Random and Immune groups**
  - 2.5% of applicants selected randomly
  - 2.5% of applicants not selected even if criteria are met (held immune from selection)
  - Used as control groups to measure effectiveness of targeted selection

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- Applicants excluded from analysis
  - QA schools
  - Schools who do 100% verification

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- **Analysis Approach**
  - Changed statistical procedure to Stepwise Linear Regression to produce error equations
  - Separate equations produced using IRS data and applicant/payment data
  - Equations then integrated to define final criteria

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- Criteria defined for each dependency status
  - 63 for dependents
  - 61 for independents
- Score for meeting each criteria determined by regression equation

CPS Verification Selection Process cont.

Development of Verification Selection Criteria

- Selection based on score cut-off that selects 30% of applicants with the most potential error, and that error would result in significant change in grant award

- Verification Tracking Flag on ISIR gives relative score – higher number has higher priority

CPS Verification Selection Process cont.

30% Verification Limit Option

- If CPS selects fewer than 30% of school's applications for federal aid, school must verify all selected applicants

- If CPS selects more than 30%, school has options --
  - Verify all applicants selected, or
  - Limit verification to 30% of total number of federal aid applicants at the school

CPS Verification Selection Process cont.

30% Verification Limit Option

- ED strongly encourages verification of all selected students

- Schools choosing to verify more than 30% can --
  - Follow verification requirements outlined in the Application and Verification Guide for all selected applicants (see chapter 3), or
  - Follow federal verification requirements for 30% of applicants, but use own procedures for those beyond 30%

Locally Designed Verification

- Focus on local sources of error and on the unique population of an individual school or campus

- Target resources on error prone populations where impact on EFC/Pell Grant eligibility is greatest

- ISIR Analysis Tool available to all schools to determine effectiveness of localized verification

Related Sessions

- Session #8: Verification Applicant Information – School and Student Responsibility
- Session #22: Tools for Schools
- Session #23: Using the ISIR Analysis Tool to Answer Your Institutional Verification Questions
- Session #24: Take the ISIR Analysis Tool for a Test Drive
- Visit the PC Lab

We appreciate your feedback!
Send your questions and
suggestions to:

Email: fafsaweb@ncs.com

Phone: 1-800-433-3243

Questions