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**Federal Student Aid  
2005-2006 Quality Assurance Program  
Data Analysis Findings**

**Summary Highlights of Quality Assurance Program  
School Verification Processes and Procedures**

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## FOREWORD

To properly set the context for the attached report, the reader must take into account the distinct characteristics about the data from which the analysis findings were derived. The data is comprised of applicant data that was submitted by students completing the Free Application for Federal Student Aid (FAFSA). Once the applicant data is processed, the Central Processing System (CPS) generates an Institutional Student Information Record (ISIR). This record is the official federal electronic document that provides a student's Expected Family Contribution (EFC) as calculated by the CPS. The ISIR includes all the data submitted by the student on the FAFSA.

The information contained in this report comes from the analysis of just over 138,000 ISIR records from the 2005-2006 award year. Schools participating in the Quality Assurance Program selected these records based on their own institutional verification criteria. This data will serve as a baseline for comparison to data that will be provided for the 2007-2008 award year.

Quality Assurance Program schools are required to draw a sample of records to analyze each year. The process of sample selection, verification, and analysis is distinctly different for consecutive years. For the 2004-2005 award year, Quality Assurance Program schools selected a random sample of records and verified the sample of 350 records according to the federal verification requirements. They continued applying institutional criteria to the rest of their population. The 2004-2005 award year serves as the baseline for comparison with the 2006-2007 award year.

The alternate sample selection, verification and analysis process took place during the 2005-2006 award year. Schools only conduct verification according to their established institutional procedures. As participants in the Quality Assurance Program, schools develop systems for verifying applicant data, a flexibility that is provided for in the HEA, as amended. This flexibility, with analysis and accountability, is a cornerstone of the Quality Assurance Program.

Analysis conducted and summarized in this report, cannot be compared to analysis conducted during the 2004-2005 award year because the analysis groups and verification procedures are distinctly different.



### **Highlights of Analysis Findings from the Analysis Group:**

- ▶ Institutionally developed verification procedures of Quality Assurance Program schools identified and prevented potential Pell Grant underawards.
- ▶ About two out of every three changes related to a Pell Grant identified by institutional verification resulted in preventing an overaward.
- ▶ The combination of both dependent and independent records shows institutional verification procedures prevented \$35,569,950 in Pell Grant overawards, and \$19,098,100 in Pell Grant underawards.
- ▶ Although the analysis was preliminary, it demonstrated that verification criteria developed by Quality Assurance Program schools prevented a total of \$54,668,050 in improper Pell Grant payments.

The analysis of 2005-2006 data from the 140 Quality Assurance Program schools shows that school verification procedures are detecting change in data reported on the FAFSA or initial ISIR transaction when compared to the verified or paid-on ISIR transaction.

Quality Assurance Program schools will conduct analysis of records selected according to their established institutional verification procedures during the 2007-2008 award year. We will compare the 2007-2008 data and the baseline data from the 2005-2006 award year to develop trend analysis and evaluate the performance of institutionally developed verification criteria at Quality Assurance Program schools.

Quality Assurance Program Staff will issue a report containing the trend analysis in the fall of 2008.



## INTRODUCTION

Since 1992, the U.S. Department of Education, through Federal Student Aid, has administered the Quality Assurance Program, which began as a pilot in 1985. Schools participating in the Quality Assurance Program approach the verification of information reported by students and parents on the FAFSA in a more targeted, institutionally-developed manner.

In lieu of following the federally prescribed verification of FAFSA information, Quality Assurance Program schools develop their own institutional process of verifying the accuracy of FAFSA data. The basic premise of the Quality Assurance Program is to allow schools to devise their own school verification procedures to effectively target applicants who, when verified, were likely to experience a change in eligibility for Title IV financial aid.

To determine the impact that changes in parent and student data have on aid awards, schools participating in the Quality Assurance Program during the 2005-06 award year analyzed a sample of students who met the criteria established in their institutional verification procedures. To facilitate this analysis, schools used the ISIR Analysis Tool, a web-based application that is part of Federal Student Aid's Financial Aid Administrator (FAA) access to the Central Processing System (CPS) on-line products. They compared initial (pre-verification) ISIR transactions, and "paid-on" (post verification) transactions to ascertain the frequency of change in FAFSA data items, and to determine the impact the changes had on EFC and Pell Grant eligibility. In the 2005-2006 award year, schools focused on the effectiveness of institutionally developed verification criteria.

Federal Student Aid developed an analysis plan to formulate findings in the following key areas:

1. To identify the top 5 ISIR element changes (by frequency);
2. To examine the connection between changes in ISIR elements and the impact change has on EFC and Pell Grant eligibility; and
3. To identify the amount of potential over and under awards detected as a result of institutionally developed verification.

Federal Student Aid staff conducted program-wide analysis of 2005-2006 data. The analysis consisted of extracting the initial and paid-on ISIR records uploaded by Quality Assurance Program schools into their ISIR Analysis Tool database that resides on the CPS mainframe. Once the data was extracted from the mainframe, Federal Student Aid staff used analytic software to run queries and generate data tables for analysis. This report presents a summary of findings.



### Characteristics of the Analysis Group

<b>Number of Schools in Analysis Group</b>	140
<b>Total Number of ISIR Records</b>	138,220
<b>Number of Dependent Records</b>	95,190 on initial transaction vs. 94,866 on paid-on transaction (324 records changed to independent).
<b>Number of Independent Records</b>	43,030 on initial transaction vs. 42,297 on paid-on transaction (733 records changed to dependent).
<b>Number of Changes per Record</b>	10.7
<b>Number of Field Changes from Initial To Paid-On Transaction</b>	1,484,291



### Key Analysis Area 1: Identify the top 5 ISIR element field changes

The data presented in the chart below identifies the ISIR data fields that had the most changes between the initial ISIR record and the paid-on ISIR record among 94,866 dependent students. The most frequent changes identified in award year 2005-2006 are similar to findings from 2004-2005. Based on the population average, all of the field changes increased the EFC, potentially reducing Pell Grant eligibility. It should be noted that Parents Number Enrolled in Postsecondary Education is not one of the Top 5 most commonly changed ISIR Fields, but it is included because of the pronounced impact it has on change to EFC.

#### Critical ISIR Field Analysis - Dependent Records 94,866 Paid-On Records

Field Changed	% Having a Field Change	% EFC Changes	Average EFC Impact
Parent AGI	33%	88%	980
Parent Income Tax Paid	30%	92%	1,325
Parent Total from Worksheet B	27%	90%	1,214
Mother Earned Income from Work	26%	87%	999
Parent Tax Return Filing Status	25%	86%	1,336
Parent's Number Enrolled in Postsecondary Education	8%	79%	1,931

(Field Changes are unduplicated)

Changes varied by ISIR element. For example:

- Parent Adjusted Gross Income:** As illustrated on the chart above, one-third of the dependent records analyzed had a change to Parent AGI. Of those records that experienced a change between the initial and the paid-on transaction, 88 percent of the records had a change in EFC, with an average change of \$980.



- Parent Income Tax Paid:** Similar to Parent AGI, 30 percent of the dependent records analyzed experienced a change to Parent Income Tax Paid. Of the records that had a change to Parent Income Tax Paid, 92 percent experienced a change to EFC with an average change to EFC of \$1,325.
- Parent’s Number Enrolled in Postsecondary Education:** This ISIR element had the highest average monetary impact upon EFC. Although only eight percent of all records had a change, the EFC was impacted 79% of the time for an average change to EFC of \$1,931. While the frequency distribution for this ISIR element is relatively low, when there was a change, it made a substantial difference between the initial EFC and the paid-on EFC.

**Critical ISIR Field Analysis – Independent Records  
42,297 Paid-On Records**

<b>Fields Changed</b>	<b>% Having a Field Change</b>	<b>% EFC Change</b>	<b>Average EFC Impact</b>
<b>Student AGI</b>	25%	67%	371
<b>Student Income Earned from Work</b>	23%	65%	187
<b>Student Income Tax Paid</b>	22%	72%	705
<b>Student Tax Return Filing Status</b>	17%	62%	756
<b>Student Total from Worksheet</b>	15%	66%	591
<b>Student Number Enrolled in Postsecondary Education</b>	4%	67%	2,009

The data presented in the chart above shows the 5 most commonly changed ISIR Fields for independent records. As with the field changes for dependent records, there are no surprises in the ISIR elements that had the most change between the initial and the paid-on transaction. Similar to findings in the dependent student records, Student Number Enrolled in Postsecondary Education is not one of the Top 5 most commonly changed ISIR Fields, but it is included because of the pronounced impact it has on change to EFC.





Changes varied by ISIR element. For example:

- **Student Adjusted Gross Income:** One quarter of independent records had a change to Student Adjusted Gross Income. Of that group that had a change, 67 percent experienced a change in EFC with an average change of \$371.
- **Student Income Earned From Work:** Almost one quarter of independent records had a change to Student Income Earned from Work. Of that group that had a change, 65 percent experienced a change to EFC with an average change of \$187.
- **Student Income Tax Paid:** The frequency of changes to this ISIR element was slightly lower than Student Adjusted Gross Income and Student Income Earned from Work. However, when there was a change to this ISIR element 72 percent of the records experienced a change to EFC with an average change of \$705.
- **Student Number Enrolled in Postsecondary Education:** As with the dependent records, Number Enrolled in Postsecondary Education changed less frequently, but when there was a change the EFC was impacted 67 percent of the time with an average change to EFC of \$2,009.

**Key Analysis Area 2: To examine the connection between changes in ISIR elements and the impact change has on EFC and Pell Grant eligibility**

Within the analysis group, 71 percent of the entire population (98,610 out of 138,220) received Pell Grant awards. Within the Pell Grant population, 46,053 records (47 percent) experienced a change in Pell Grant award from the initial to the paid-on transaction. The analysis showed that changes in initial ISIR information to paid-on ISIR information directly impacted the EFC, identifying a significant number of EFC increases.

The chart below presents the relationship between changes in ISIR fields that most commonly changed and the impact the changes had on Pell Grant Eligibility.



**Critical ISIR Fields - Pell Impact  
94,866 Dependent Student Paid-On Records – Top 5 Field Changes**

<b>Field Changed</b>	<b>% Having a Field Change</b>	<b>% Pell Grant Changes</b>	<b>Average Pell Grant Impact</b>
<b>Parent AGI</b>	33%	58%	-\$469
<b>Parent Income Tax Paid</b>	30%	58%	-\$582
<b>Parent Total from Worksheet B</b>	27%	54%	-\$504
<b>Mother Income Earned from Work</b>	26%	58%	-\$429
<b>Parent Tax Return Filing Status</b>	25%	54%	-\$544

Based on the analysis of dependent Pell Grant recipients, the 5 most commonly changed ISIR fields correlate to an average decrease in the Pell Grant award amount. The connection between changes in initially reported data and verified paid-on data on EFC and ultimately Pell Grant eligibility is very apparent in this analysis group. On the chart above, the values presented as “Average Pell Grant Impact,” are displayed as (-) negative values, meaning that the changes to the ISIR elements would have resulted in a Pell Grant overaward if the school had not selected the record for verification. For example:

- **Parent AGI:** One third of the dependent records had a change to Parent Adjusted Gross Income from the initial to the paid-on transaction. The changes resulted in more than half of the records having a change in Pell Grant Award. Overall, the net impact of Parent AGI changes resulted in an average Pell Grant award change of -\$469, indicating potential Pell Grant overawards identified through school verification procedures.
- **Parent Income Tax Paid:** Almost one third of the dependent records had a change to Parent Income Tax Paid from the initial to the paid-on transaction. The changes in this ISIR field caused more than half of the records to have a change in EFC. The net impact of Parent Income Tax Paid changes resulted in an average Pell Grant award change of -\$582, again indicating potential Pell Grant overawards identified through school verification procedures.



Similar findings for the independent analysis group are presented below.

**Critical ISIR Fields - Pell Impact**  
**42,297 Independent Student Paid-On Records – Top 5 Field Changes**

<b>Field Changed</b>	<b>% Having a Field Change</b>	<b>% Pell Grant Changes</b>	<b>Average Pell Grant Impact</b>
<b>Student AGI</b>	<b>25%</b>	<b>48%</b>	<b>-\$344</b>
<b>Student Income Earned from Work</b>	<b>23%</b>	<b>45%</b>	<b>-\$232</b>
<b>Student Income Tax Paid</b>	<b>22%</b>	<b>51%</b>	<b>-\$469</b>
<b>Student Tax Return Filing Status</b>	<b>17%</b>	<b>40%</b>	<b>-\$345</b>
<b>Student Total from Worksheet B</b>	<b>15%</b>	<b>45%</b>	<b>-\$459</b>

Here again, for the independent records analyzed with the highest frequency of change, none of the critical ISIR fields that had the highest frequency of change increased the Pell Grant award on average – all decreased the award. The analysis did find a correlation between independent students and the tendency for them to report estimated data on the FAFSA, which may suggest why the top 5 ISIR field changes, are for the most part, directly related to income fields reported on the FAFSA. In addition, there were a significant number of independent records where automatic zero EFC was calculated on the initial transaction, but through institutional verification, changes were identified and the paid-on transaction reflected the correct data. In most cases the EFC increased causing Pell Grant Eligibility to decrease. For example:

- **Student Adjusted Gross Income:** One quarter of the records had a change to Student Adjusted Gross Income from the initial to the paid-on transaction. Almost half of the records that had a change to Student Adjusted Gross Income experienced a change to the Pell Grant award. Overall, the net impact of Student Adjusted Gross Income changes resulted in an average Pell Grant award change of -\$344, indicating potential Pell Grant overawards identified through school verification procedures.



- **Student Income Tax Paid:** In the independent paid-on records analyzed, 22 percent had a change to Student Income Tax Paid. Of those records that had a change to Student Income Tax Paid, over half of the records had a Pell Grant change with the average Pell Grant award change of -\$469, again indicating potential Pell Grant overawards identified through school verification procedures.
- **Student Tax Return Filing Status:** Roughly 17 percent of the records had a change to Student Tax Return Filing Status from the initial to the paid-on transaction. About 40 percent of the records that experienced a change also had a change to the Pell Grant award. The net impact of changes in Student Tax Return Filing Status resulted in an average Pell Grant award change of -\$345, indicating potential Pell Grant overawards identified through school verification procedures.

**Key Analysis Area 3: To identify the potential amount of over and under awards detected as a result of institutionally developed verification**

Data from the 2005-06 analysis group reflects that Quality Assurance Program schools are identifying groups of records that have changes between initially reported and paid-on data. Through the analysis of records where changes to ISIR fields caused a change to EFC and in many cases, Pell Grant award, Pell underaward and overaward values were determined. The total amount of potential over and under awards detected by school verification was calculated for dependent and independent records. The findings are presented below.

**Dependent Student Records  
 Pell Grant Over and Under Award Analysis**

**Net \$13,861,750 in Potential Pell Grant Overpayments Identified**

<b>Total; Dollar Amount Pell Grant Overawards</b>	<b>Number of Records</b>	<b>Average Pell Grant Overaward</b>
<b>\$27, 664,650</b>	23,146	\$1195
<b>Total Dollar Amount Pell Grant Underawards</b>	<b>Number of Records</b>	<b>Average Pell Grant Underaward</b>
<b>\$13,802,900</b>	12,838	\$1075



**Independent Student Records  
Pell Grant Over and Under Award Analysis**

**Net \$2,610,100 in Potential Pell Grant Overpayments Identified**

<b>Total; Dollar Amount Pell Grant Overawards</b>	<b>Number of Records</b>	<b>Average Pell Grant Overaward</b>
<b>\$7,905,300</b>	6,455	\$1225

<b>Total Dollar Amount Pell Grant Underawards</b>	<b>Number of Records</b>	<b>Average Pell Grant Underaward</b>
<b>\$5,295,200</b>	3,614	\$1465

**Total Pell Grant Improper Payments Prevented by Institutional Verification:**

**\$54,668,050**

The combination of both dependent and independent records shows that school verification procedures prevented \$35,569,950 in Pell Grant overawards. This represents 65 percent of the records in the analysis group with an average of \$1,202 per overaward. Underawards represented a smaller but significant amount with school verification procedures preventing \$19,098,100 in Pell Grant underawards. This represents 34.9 percent of the records in the analysis group with an average of \$1,161 per underaward. **Overall, Quality Assurance Program schools prevented the net amount of \$16,471,850 in Pell Grant overpayments.**

The findings from the analysis group showed school verification procedures eliminated 8,363 Pell Grant awards. Conversely, 4,409 students were found eligible for a Pell Grant where none had been identified on the initial transaction.

Due to the record limit capacity of the ISIR Analysis Tool, Quality Assurance Program schools were not able to include every ISIR record selected for institutional verification in this analysis. Therefore, the total amount of Pell Grant improper payments prevented by institutional verification is based solely on the number of records Quality Assurance Program schools uploaded into the ISIR Analysis Tool, not the total number of records selected and verified by Quality Assurance Program schools.



## SUMMARY

The analysis of 2005-2006 award year data from the 140 Quality Assurance Program schools shows that institutional verification procedures are detecting changes in data reported on the FAFSA or initial ISIR transaction when compared to the verified paid-on ISIR transaction. Quality Assurance Program schools are identifying and preventing Pell Grant under awards and over awards. This preliminary analysis demonstrated that the verification criteria established by Quality Assurance Program schools prevented a total of over \$50 million in improper Pell Grant payments.

Federal Student Aid staff continues to remind Quality Assurance Program schools of the Department's goal to reduce improper payments in the Pell Grant Program. The Quality Assurance Program requires participating schools to annually analyze data using the ISIR Analysis Tool. Schools will continue to analyze school specific data to fine tune institutional verification procedures to better target error prone populations on their campuses. In doing so, Quality Assurance Program schools will assist in helping to improve stewardship of Federal and institutional funds, enhance service delivery and work toward further reducing improper payments in the Pell Grant Program.