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To Validate or Not to Validate: That Is the Question

*by John G. Bannister and
Terri E. Phillips*

Introduction

One of the issues most discussed by student financial aid administrators today is the validation and verification of student reported information on financial aid applications and forms. Increasingly, stories of fraud and abuse in the use of federal student aid programs have been reported in the media. In 1978, the U. S. Department of Education introduced a validation process for the Basic Educational Opportunity Grant Program which required institutional aid administrators to verify information of certain filers selected by the government contractor. This process, although modified in subsequent years, remains today. But even before enactment of the Basic Grant Program, a significant number of institutions already had in place rather sophisticated systems for monitoring the quality of data reported by students. The national needs analysis services have from their beginnings established special codes in their respective systems to alert aid officers to potential discrepancies in student reported data.

An examination of professional association programs and recent literature suggests that there is a growing awareness in the aid community of the importance of institutional validation and verification procedures for campus-based applications and needs analysis forms. In fact, procedures calling for minimum standards of validation and verification to extend to all Title IV student aid programs have recently been developed by the U. S. Department of Education.

This article will describe an institutional system for ensuring quality control standards in the editing of its aid applications. It will also report the results of a study conducted of certain selected data elements which have been verified in the institutional validation effort.

Description of System

The University of South Carolina (USC) Office of Student Financial Aid annually processes some 8,000 or more need-based applications for financial aid. To ensure efficient processing and to maintain high standards of quality control, a computer system for editing all applications has been developed. The monitoring system is based upon standard codes as derived from the national needs assessment services. Through an interface between the Admissions and Registrar's offices, all essential application information is obtained and edited for accuracy and completeness. Presently there are eighteen edit checks in the USC system. At one time, four additional edits were utilized but their frequency of occurrence was so small they have

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now been eliminated. Those edits now in use are as listed:

<i>Edit</i>	<i>Description</i>
01	No match on Admissions file
02	Admissions match not admitted
03	Entering transfer or Graduate
04	Independent Student
05	Married student
06	Applicant has account receivable
07	Prior bachelor's degree
08	Citizenship status unclear
09	Prior loan recipient has not attended borrowers conference
10	Tax paid unknown
11	Tax paid questionable
12	Applicant's income or tax questionable
13	Parent's income questionable
14	Applicant reports no income
15	Medical or dental allowance reduces parental contribution
16	Receipt of second financial statement
17	Applicant's term earnings greater than \$200
18	Family size differs from exemptions

Procedures have been established whereby an automatic message to the applicant is generated for exceptions 01 through 09. These exceptions are routinely handled by a processing clerk. Exceptions 10 through 18 are immediately routed to a member of the professional staff for reconciliation. If the applicant is a prior year applicant or recipient, often the exception can be internally reconciled without follow-up to the applicant.

The experience of the USC Financial Aid Office has been that approximately 60 percent of all applications processed clear the editing system and are immediately ready for awarding. Of the remaining 40 percent, about 25 percent can be reconciled internally. The remaining 15 percent require follow-up and approximately 10 percent of the total excepted files will require adjustments resulting in an eligibility change.

The Study

Because of the growing concern over the accuracy of information reported by filers, the USC Financial Aid Office undertook a study of applications for the 1981-82 award year to determine the impact of eligibility change resulting from validation of three data elements which were most frequently excepted. During the 1980-81 processing year, a total of 7,965 students filed as need-based applicants in anticipation of an award for the 1981-82 academic year. The three edit codes selected for the study and their frequency of occurrence are listed in table 1.

Table 1
Edit Codes Selected for Evaluation

Edit Code	Frequency of Occurrence
04 - Independent Student	1862
11 - Tax Paid Questionable	968
18 - Family Size Differs from Exemptions	937

A brief discussion of each of the edit codes included in the study is necessary.

The Independent Student Edit

Students falling in the category of independent are determined from the "no" response to the six questions on the needs analysis forms. Procedures have been established whereby students identified as self-supporting are required to document independence through the completion of a form entitled "Affidavit of Parental Non-Support." This form requires a certified statement from both student and parents, but the real strength of the document rests in the section which requires the student to provide historical documentation of self-support since declaring independence.

Of the 7,965 applications received for the 1981-82 application period, 1,862 or 23.4 percent were excepted as independent filers. Routinely, these applicants were provided the independent student affidavit and advised that their applications would not be processed until the form had been completed and returned. Upon return, the form was carefully reviewed by a professional staff member who either approved or disapproved independent status. An analysis of those filers who originally applied as independent is presented in table 2.

Table 2
Analysis of Independent Student Exceptions

Original Independent Filers	Validated as Independent	Refiled as Dependent	Rejected as Incomplete
1,862	1,231	4	627

Clearly the majority of the applicants (66.1%) who filed originally as independent were substantiated as independent. Only four students refiled as dependents, but interestingly all four were determined to have eligibility as dependent filers. The remaining 627 or 33.7 percent did not return the affidavit or refile as dependent. Their applications were subsequently rejected as incomplete. It can be concluded that these applicants were not self-supporting and consequently elected not to file a document which might be incriminating.

Tax Paid Questionable Edit

Those applications identified with questionable tax paid were generated from a code on the respective needs analysis form completed by these students. Approximately 12 percent of the total applicant pool were excepted for this edit code. For purposes of the study, a 5 percent random sampling of the 968 excepted were selected for evaluation. All of the filers in this category were classified as dependent students. The significant findings of the analysis of these filers are reported in table 3.

Table 3
Analysis of Tax Paid Questionable Edit Sampling

Edit Occurrence	Number Sampled	Number with Change in Contribution	Average Change in Parents' Contribution
968	49 (5%)	13 (27%)	\$326

To assess the impact of the increased parental contribution for the total population excepted on the tax paid questionable edit, it was assumed that the sampling was representative of the entire group in this category. Based on this assumption, 27 percent of the total excepted would have an adjusted parental contribution. Multiplying this number (261) by the average parental contribution change (\$326) of the sampled group, it was projected that the aggregate parental contribution of the excepted students increased by \$85,087 or conversely the aggregate need of these filers was decreased by this amount.

Family Size Differs from Exemptions Edit

The third most frequent exception for students applying for the year studied were those whose reported family size differed from exemptions. The same methodology used in analyzing applications edited for questionable tax paid was employed in the evaluation of those files with discrepant family size and exemptions. All of the applications reviewed for this category were dependent students and a 5 percent sampling was utilized. The pertinent results are stated in table 4.

Table 4
Analysis of Filers with Family Size Different from Number of Exemptions

Edit Occurrence	Number Sampled	Number with Change in Contribution	Average Change in Parents' Contribution
937	46 (5%)	6 (13%)	-\$76

The adjustments to the family financial statements of the six applications evaluated in this category resulted in an average decrease of \$76 dollars in the parental contribution. Thus, it was projected that the aggregate parental contribution for all applicants excepted because of this edit decreased by \$9,272 or the needs of these filers increased by \$9,272.

A review of the files of students excepted because family size and exemptions did not agree provided some rather simple explanations. Not infrequently, children reside with one parent while the other is providing child support and claiming the children for tax purposes. It also appears that it is not an uncommon practice for a grandparent or other relative to reside in a household, but often these individuals are not claimed as exemptions. And finally, there are numerous families who simply have no taxable income and consequently do not file income tax reports.

Summary

The number of students treated as independent at the University of South Carolina for the year studied was 15 percent of the total applicant pool. Since this percentage is significantly below the national average of those students classified as self-supporting, the reasonable conclusion is that validation constitutes an effective method for determining which students are bona fide independent students. Although the study did not reveal a dollar amount saved due to the validation of independent student data, the savings of student aid funds were significant due to the large number who elected not to validate their independent status.

Adjustments to parents' contributions due to the verification of income tax paid and exemptions claimed resulted in a net projected increase to the aggregate parents' contribution of \$75,815, or conversely the aggregate need of the applicant pool was reduced by \$75,815. Thus, student aid funds not allocated because of control review

of exceptioned files were subsequently awarded to additional students who met editing standards.

The USC study suggests that institutions should establish standards of quality control to monitor applications for incompleteness, inconsistencies and discrepancies. Such standards should be grounded in a sound rationale which is the product of broadly based thinking and involvement combining philosophical soundness with administrative simplicity and balanced in prescription and freedom.