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Verification 1986-87: The Impact on Financial Aid Offices In the WASFAA Region

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Almost nine out of ten WASFAA area financial aid offices had validation procedures in place in 1985-86, and about half were more stringent than those imposed by federal regulations in 1986-87. This article describes the impact and effectiveness of federal verification procedures in WASFAA area financial aid offices. It is based upon a survey taken in October 1986 of WASFAA region financial aid offices.

Introduction

Financial aid administrators have long regarded accurate applicant data as an essential requirement of an effective delivery system. To the degree that applicants provide inaccurate data concerning family financial circumstances, aid may be denied to truly needy applicants or provided to students who are financially unqualified to receive it. For this reason, almost 90 percent of financial aid offices in the WASFAA region had procedures in 1985-86 to validate applicant data. The Department of Education increased the requirements for verification of applicant data in the 1986-87 year, and the specific requirements and tolerances caused many schools to redesign their verification procedures prior to awarding financial aid.

To gauge the impact and effectiveness of the federal Verification procedures, a survey was taken of the financial aid offices in the WASFAA region. The survey contained questions about characteristics of institutions and financial aid offices; the impact of Verification procedures upon office staff arrangements, workloads, and operating costs; the effect upon said applicants; and the use of Verification to identify errors and to change award amounts.

Background

Prior to the 1978-79 award year, the validation of Basic Grant applicant data was conducted centrally by the Office of Education. This central validation effort did not yield the desired results due in large part to the fact that the Department requested information from students to confirm data on the application *after* the Basic Grant had been disbursed by the institution. Beginning in the 1978-79 award year, the Office of Education instituted a two-step process to verify the information

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provided by Basic Grant applicants. This two-step process included modifications to the processing edits to flag more applicants with "questionable" data, and the selection of students who would be required to document application data to the financial aid office of the institution they chose to attend. It was the Department of Education's effort "to improve the quality of reported data and to insure that funds are being distributed in an equitable manner." (Validation Procedures Handbook, 1978.) Although modified, this validation procedure continued for the Pell Grant program through the 1985-86 award year. In March of 1986, final regulations were published that expanded the validation program for Pell Grants to a verification program requiring the verification of data provided on Pell Grant, campus-based financial aid, and Guaranteed Student Loan applications.

This increased requirement for the verification of applicant-reported data was the result of an inquiry by Senator Paul Simon (D-IL). Formerly Chairman of the Subcommittee on Postsecondary Education of the House Committee on Education and Labor, Senator Simon asked the General Accounting Office (GAO) for a report on the impact and effectiveness of validation and the "costs and burdens on schools and students, the origins and goals of the Department's methodology, and alternative approaches" (NASFAA Newsletter, 1985). This inquiry resulted in the GAO releasing their study on September 25, 1985. The study cited numerous problems for students, institutions, and the Department, and recommended more stringent requirements to reduce fraud and abuse.

Verification requirements for the 1986-87 award year began with a set of common edits that attempted to screen applications for common errors. The selection rate defined by the Department of Education was slightly more than 50 percent and included applicants both eligible and noneligible to receive Pell Grants. Items to be verified at the campus were:

- Adjusted gross income for the base year;
- U.S. income tax paid for the base year;
- Number of family members in the household for the independent applicant and his or her spouse if greater than one, or number of family members in the household of the dependent student's parents if greater than two;
- Number of family members attending postsecondary educational institutions as at least half-time students if greater than one;
- An applicant's independent student status; and
- Certain untaxed income and benefits for the base year.

(1986-87 Verification Guide, 1986)

Methodology

In October, 1986, questionnaires were sent to 543 institutions in the WASFAA region and 339 institutions responded, for a response rate of 62.4 percent. Respondents returned the completed questionnaires to the Seattle Central Community College Financial Aid Office, where they were tallied and edited. The questionnaires were then forwarded to the California Student Aid Commission for key entry and tabulation. The number of institutions sampled, the number of respondents, and the response rates by type of institution are as follows:

<u>Segment</u>	<u>Surveys Sent</u>	<u>Surveys Returned</u>	<u>Response Rate</u>
Vocational/Technical, Hospital Schools, Other	175	80	45.7%
Public, Two-Year	143	96	67.1%
Public, Four-Year	63	49	77.7%
Private, Four-Year	132	83	62.9%
Graduate/Professional	30	23	76.7%
Unknown	--	8	--
Total	543	339	62.4%

Responses by State

Alaska	7	Nevada	7
Arizona	32	Oregon	35
California	196	Washington	48
Hawaii	6	Pacific Islands	3
Idaho	4	Unknown	1

Total 339

The survey was anonymous in nature, as respondents were not asked to identify either themselves or their institutions. There was no attempt to follow up on those institutions not responding. Because not all financial aid offices in the survey responded, care should be taken in generalizing the results.

Impact Upon Financial Aid Office Operations

The federally required Verification process for award year 1986-87 caused increased workloads and costs in nearly all reporting financial aid offices, and caused most offices to rearrange staff work and responsibilities. Over 95 percent of responding offices said that Verification increased their workloads. At public four-year institutions and at offices disbursing from \$5 million to \$20 million in aid, all respondents reported workload increases. Over three-quarters of responding institutions said that they had rearranged staff workloads and responsibilities. The public four-year institutions seemed to be the most severely impacted in this regard, with 83 percent saying that some rearrangement of office functions was necessary.

Almost half of the financial aid offices reporting increased workloads due to Verification hired additional staff, although most said they would if their budgets had allowed. Forty-five percent said Verification was part of the reason for hiring additional staff, and 20 percent said they added a full-time staff member because of Verification. Financial aid offices with only one or two staff members seemed least

capable of expanding to handle the additional responsibilities of Verification. Although 92 percent of the offices with less than \$1 million in aid reported that Verification had increased their workloads, only 37 percent said they were able to augment their staff.

Seventy-one percent of the responding financial aid offices said they would hire additional staff to help with the duties of Verification if their budgets allowed. This varied by segment; among vocational and technical schools, only 57 percent said they would do so, while among public four-year institutions, 82 percent said they would.

Verification caused most financial aid offices to incur additional operating expenses, with 92 percent of those responding indicating at least some increased costs, and 23 percent saying costs exceeded \$1,000. Mailing costs and staff overtime were the most frequently cited increased operating costs, and increased student contact was reported by 42 percent of the institutions as the most escalated staff activity.

The increased expenses and staffing demands caused by Verification had a definite impact upon student services, with 23 percent of responding schools saying that services previously provided have been dropped because of the workload demands created by Verification. This occurred most frequently in the four-year public institutions, with 39 percent having dropped services. Services most frequently cited as being curtailed were counseling, debt management, office hours, and follow-up on incomplete files. One aid administrator wrote "Verification caused me to restrict my counselors from seeing students so they could do the paper work, and even then they were unable to complete all awards before Fall quarter registration." Another administrator from a private four-year school indicated that they "maintained all previous services but some functions were delayed up to two months." Ironically, some financial offices which previously verified all applications reported that they would cease doing so because of the demands of the federally required procedures.

Impact Upon Students

Verification appears to have had an effect upon the welfare of some students applying for aid. Over three-quarters of financial aid offices stated that they did not have the institutional resources to cover students' educational costs until Verification was completed. Among the fourteen responding institutions with populations of 20,000 to 30,000 students, only one said it could cover student costs until Verification was finished.

Almost four out of ten respondents (38 percent) said they were aware of students who did not enroll in Fall 1986 because they could not complete the Verification process in sufficient time to have funds available to register. This varied greatly by segment, with nearly half (46 percent) of the small vocational/technical schools and two-year schools reporting students not enrolling for this reason. Students at these institutions traditionally apply later and therefore may have less time to complete the Verification process.

When asked what type of applicant was most often selected for Verification, responses tended to follow the characteristics of the students attending their institutions. For instance, four-year independent schools said middle income applicants were most often selected (47 percent), but two-year public institutions selected minorities (11 percent) and low income students (46 percent). Many respondents indicated that refugee students were targeted for Verification.

Effectiveness of Verification Procedures

To gauge the perceived effectiveness of Verification procedures in 1986-87, the

survey asked whether financial aid offices had procedures in place in 1985-86 to review applicants for resolution of conflicting information, and asked if these procedures were as stringent as those imposed in 1986-87. Nearly nine out of ten respondents (87 percent) reported that such procedures were used in 1985-86. Forty-eight of the 49 public four-year institutions said this was so, as did all 67 financial aid offices at campuses with enrollments of 10,000 or more. Among those offices with procedures in place in 1985-86, close to half (47 percent) reported that these procedures were more stringent than those imposed by Verification in 1986-87. All 35 financial aid offices in the survey handling \$10 million or more in aid had such review procedures, and all said that they were more stringent.

Perhaps because so many financial aid offices in the survey had review procedures in 1985-86, nearly three-quarters (74 percent) of them reported that they verified more applicants in 1986-87 than those selected by the Verification processing edits. Seventy-seven percent of those with review procedures in 1985-86 verified more applicants than required in 1986-87, compared to 52 percent for those offices that did not.

When asked to indicate the two areas in which errors were most often found during the Verification process, the most frequently cited item was "adjusted gross income"; among four-year private institutions, over half of the respondents listed this item. Four other frequently listed areas were "independent student status," "household size," "taxes paid," and "other untaxed items." Over one-third of vocational/technical schools listed independent student status as an area in which errors were frequently identified, perhaps reflecting non-traditional, older aid applicants, compared to only six percent of private four-year institutions.

About one-third (32 percent) of the responding offices reported "obvious" changes in students' total award amounts because of the Verification process. This result was very uniform across the segments, but among the seventeen offices handling over \$20 million in aid, only 24 percent reported obvious changes. When asked to indicate which item, when corrected, resulted in the largest dollar impact on award amounts, a third of the respondents indicated "adjusted gross income," nearly a quarter reported "independent student status," and 20 percent reported "other untaxed income." At vocational and technical schools 35 percent reported that correcting independent student status caused the most award change, compared to only 11 percent at private four-year institutions.

Financial aid programs most heavily affected by Verification in 1986-87 varied substantially by segment, probably reflecting to some degree the relative importance of each program among different types of institutions. Virtually half (49 percent) of the financial aid offices in the survey indicated the Pell Grant Program as most affected, but this response varied from over 60 percent among vocational/technical schools and community colleges to 37 percent at public four-year institutions. Thirty-six percent of all respondents said that Guaranteed Student Loans were most affected, 12 percent indicated campus-based programs, and only three percent indicated institutional aid. Among community college respondents, only 24 percent indicated Guaranteed Student Loans, compared to 52 percent at public four-year institutions and 70 percent at graduate schools. Nineteen percent of the private four-year offices and 17 percent of the graduate schools in the survey indicated that campus-based aid was most affected by Verification, compared to only four percent of vocational and technical schools.

Recommendations

The survey requested essay responses from financial aid administrators concerning two subjects. The first question asked for recommendations in improving the accuracy of the aid application review process. Respondents repeatedly recommended

a simplified form for low income applicants. One respondent wrote, "The problem is applicant ignorance of federal tax laws and terminology. A majority of low income applicants pay someone to file their income tax form (if they file). They have little understanding of the process of applying for aid or of Verification. Such applicants have a '1040EZ mentality' but attempt to answer questions required of a tax attorney. The solution is to go to two or three applications with annual income providing the division of which form to use. Follow the IRS example." As another person stated, "The problem is not the review process. The problem is obtaining accurate information in the first place." Another common suggestion was to "let institutions select those areas which are crucial for their aid population and verify those."

Frequently respondents to this question seemed to be answering out of frustration. Answers like "Let the Feds do it," to "I'm not sure I can answer this question," exemplify this reaction. One respondent noted that "For the past seven years we have done 100 percent verification with the use of the 1040. This year the additional time it took us to re-mail the Verification form and to duplicate it when it was lost has made us re-think our position. In 1987-88 we will verify only those students selected by the edit checks. I believe we were doing a better job before." A sizable number of aid administrators responded to this question, and many took the time to give thoughtful, lengthy suggestions.

The second essay question asked aid administrators to identify areas in which they most frequently found "fraud and abuse." Overwhelmingly, respondents to this question reported students claiming independence when actually dependent according to regulations. Numerous aid administrators clarified their answers by saying that while errors were typically found in taxable income, untaxed income, and household size, such errors were not fraudulent, and they did not feel that fraud was being committed. One respondent wrote "In my ten years as an aid officer, I have never encountered a single case of fraud and abuse. Most verifications have resulted in an increased grant."

Summary

The 1986-87 Verification process had a huge impact upon the workload and expenses of financial aid offices in the WASFAA region. Virtually all offices experienced increased workloads. Nearly half hired employees to help with Verification related tasks, and others wanted to hire help but could not due to budgetary constraints. Over 90 percent of responding offices reported increased expenses due to Verification procedures.

About a fourth of the responding financial aid offices curtailed student services because of the increased expenses and staffing demands of Verification. Services most often dropped were counseling, debt management, office hours, and follow-up on incomplete files. Ironically, some offices which previously verified all application material will cease doing so because of Verification.

Students were also affected by Verification. As noted above, fewer financial aid office services were available to them. Additionally, over three-quarters of financial aid offices reported that they did not have institutional funds to cover educational costs until Verification was completed. Almost 40 percent of the respondents knew of students who did not enroll because they could not complete the process in time to have funds to register.

Nearly nine out of ten financial aid offices had institutional review procedures for resolution of conflicting information in 1985-86, and nearly half regarded these procedures as more stringent than those required by Verification. Almost three-quarters of financial aid offices verified more applicants in 1986-87 than those selected by Verification processing edits.

About one-third of financial aid offices reported obvious changes in students' total award amounts due to the Verification process. This percent might have been lower but for the high proportion of offices which verified more applicants than required by Verification. The three items most frequently cited as having an impact on award amounts were "adjusted gross income," "independent student status," and "other untaxed income."

Finally, many WASFAA area financial aid administrators regard the federally required Verification process as too complicated, especially for low income applicants. The process is viewed as an unnecessarily time consuming and expensive way of achieving something which was already being effectively accomplished in 1985-86.

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