

**Verification**

NASFAA Annual Conference  
Denver, CO  
Presented by:  
Carney McCullough  
Dan Klock  
U.S. Department of Education



---

---

---

---

---

---


---

---

**Verification**

- Process by which certain required data reported on the FAFSA is reviewed for accuracy and completeness

2



---

---

---

---

---

---

---

---

**School Verification Policies**



---

---

---

---

---

---

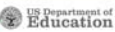
---

---

### Verification Policies

- MUST have a written policy stating:
  - How applications are selected for verification
  - Documentation deadlines for students and consequences for missed deadlines
  - Method of notifying students of award changes resulting from verification
  - Required correction procedures for students
  - Standard procedures for referring overpayments to ED

4



---

---

---

---

---

---

---


---

### Notice to Student

School must provide a written statement to students selected for verification that includes:

- A clear explanation of the documentation requirements
- Student's responsibilities with regard to the verification process
- School notification requirements

5



---

---

---

---


---

---

---

---

### Selection Process



US Department of Education

---

---

---

---

---


---


---

---

### How Are Students Selected?

- CPS selection
  - Edit checks which identify inconsistencies and potential errors
  - Random selection
- School selection
  - School criteria



7


---

---

---

---

---


---

---

---

### CPS Identification

- Students selected by the CPS
  - Verification codes on ISIR section
    - Y = Student is selected
    - N = Student is not selected
    - \* = Student is selected on a subsequent transaction
      - » Student has not been selected on any previous transaction
  - Asterisk (\*) will appear next to the EFC

8


---

---

---

---

---

---

---

---


### School Selections

**Best Practice:** Choose applicants with the highest number in the verification tracking flag field on the ISIR

- 4 digit number up to 9999

CPS Pushed ISIR Flag	
Rejects Met:	1730
Verification Tracking Flag	
Dependency Override	0
ETS	
Observation # Applied To	
Application Receipt Date	03/29/2009

- The higher the number the greater the potential risk

9


---

---

---

---

---

---

---

---

**School Selections**

- A school **MUST** verify ANY application information it believes is incorrect
  - Items may be different from ED required data verification elements
- Considered to be selected by the school for verification

10 US Department of Education

---

---

---

---

---

---

---

---

**School Selections**

- May select additional applications beyond those required
- School decides items to verify
  - Same items as CPS selected forms, or
  - Different items not required to be verified
    - Other untaxed income (cash support, etc.)
    - Additional assets or components of income
    - Debts

11 US Department of Education

---

---

---

---

---

---

---

---

**30% Verification Option**

US Department of Education

---

---

---

---

---

---


---

---

### Selected Applications

- ED encourages schools to *verify all applicants selected by CPS*

Because...verification selection factors target areas with most errors  
*HOWEVER...*



13 US Department of Education

---

---

---

---

---

---

---

---

### CPS Selected Applications

- Schools must verify all applications the CPS selects *up to 30 %* of the school's **total federal aid applicants** in an award year
  - School may choose to verify more than 30%
  - If CPS selects less than 30% of total applicants, NOT required to verify more to reach 30%
    - Not a quota

14 US Department of Education

---

---

---

---

---

---

---

---

### 30% Option Policy Requirements

- Policy must be written
- Policy must define "applicant"
- Must effectively identify those "applicants" and therefore, be able to determine 30% of total "applicants" *throughout the year*
  - Includes all payment periods

15 US Department of Education

---

---

---

---

---


---

---

---

### Defining "Applicant"

- "Applicant" may be:
  - Anyone who applies to the school
  - Anyone who enrolls
  - Anyone enrolled and eligible to receive aid
- Students that count toward the 30% limit must meet your definition

16 

---

---

---

---

---


---

---

---

### Applicants Counted in the 30% Total

Applicants selected by CPS *and* meet the definition of "applicant" in your policy.

17 

---

---

---

---


---


---

---

---

### Verification Exclusions





---

---

---

---

---

---


---

---

### Verification Exclusions

Selected applications may be exempt from some or all of the verification requirements due to the following:

- Incarceration
- Recent immigration
- Spouse or parent unavailable
- Only applies to spouse or parent data



19 US Department of Education

---

---

---

---

---

---

---

---

### Verification Exclusions Cont.

- Death of student
  - Only exemption that excuses school from resolving conflicting information
- Applicant verified by another school
- Certain Pacific Island residents
  - Dependent's parents must also meet criteria to qualify for exclusion
- Not a Title IV recipient
  - For reasons other than not completing verification

20 US Department of Education

---

---

---

---

---

---

---

---

### Verification Exclusions Cont.

- If the student will ONLY receive any of the following Title IV aid, verification is not required:
  - Unsubsidized Federal Stafford Loans
  - PLUS Loans (parent or graduate)
  - TEACH Grant
  - Stafford Loans (sub and unsub) received for study at an eligible foreign school

21 US Department of Education

---

---

---

---


---

---

---

---

## *Verification Items*



US Department of  
Education

---

---

---

---

---

---

---

---

### What Do I Verify?

- Required to Verify 5 Major Data Elements
  - Adjusted Gross Income
  - U.S. income tax paid
  - Certain untaxed income and benefits
  - Number in household
  - Number enrolled in college

“Confirming that specific  
FAFSA answers are correct”

23  
US Department of  
Education

---

---

---

---

---

---

---

---

### Additional Verification Items

- Schools may always choose to verify any other application items in addition to the required items
  - Those selected by CPS or the school
- Determine reasonable documentation requirements for additional items
- Ensure consistent institutional policy applied

24  
US Department of  
Education

---

---

---

---

---

---

---

---

## Verification Documentation



US Department of Education

---

---

---

---

---

---

---

---

## What Documents Do I Need?

- Most common documents include:
  - For AGI (and some untaxed income)
    - Base year tax return
  - For untaxed income, household size and number in college
    - ED Verification worksheet
- Alternative documents may include:
  - Official agency documentation
  - Institutional certification
  - Signed statement

26 US Department of Education

---

---

---

---

---

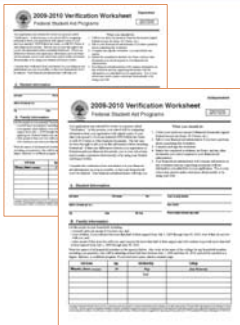
---

---

---

## Verification Worksheets

- Department developed
- Not required – may develop own
- Independent and Dependent forms
- Submitted to the school, not ED
- Master copies on IFAP



27 US Department of Education

---

---

---

---

---

---

---

---

### General Document Requirements

- Documents can be originals
- Documents can be copies
  - Photocopies, fax, digital printouts
- Signatures on a copy are as valid as original signatures



28



---

---

---

---

---

---

---

---

### AGI and U.S Income Tax Paid

- Usually verified through U.S. income tax returns
- Must have at least one filer signature or Preparer name and SSN, EIN or PTIN
  - Exception – form mailed directly to the school from IRS
- Check for anyone with financial data on FAFSA
- Type of return listed on FAFSA should match
- AGI should always match FAFSA data
  - Unless adjusted for joint return

29



---

---

---

---

---

---

---

---

### Special Situations & Alternatives

- Electronic Filing
- Non-Filers
- Filing Extensions



30



---

---

---

---

---

---

---

---

### Special Situations & Alternatives

- Fiscal Year Tax Returns
- Non-resident Filers
- Foreign Income
- Tax return not available



31 US Department of Education

---

---

---

---

---

---

---

---

### Tax Return Basic Knowledge

- Information required to know:
  - Minimum income requirements for filing a tax return
  - Correct tax filing status for an individual
  - A person cannot be claimed as an exemption on more than one tax return

32 US Department of Education

---

---

---

---

---

---

---

---

### Tax Return Data Conflict

- Some examples that must be resolved:
  - Married filing separately; but both claimed “Head of Household”
  - Student claimed self as exemption, but so did parent
  - A student claims not required to file but earned \$30,000 from work

33 US Department of Education

---

---

---

---

---

---

---

---

### Untaxed Income and Benefits

- Three specific types to verify:
  - Child support
  - IRA/Keogh deductions
  - Interest on tax-free bonds
- Child support
  - Amount received
  - Verification worksheet, signed statement, government agency
  - Does not have to be verified if same amount verified in previous year

34 US Department of Education

---

---

---

---

---

---

---

---

### Untaxed Income and Benefits

- Deductions for IRA/Keogh Plans
  - Can be verified using tax returns
- Interest on tax free bonds
  - Can be verified using the tax return
- Additional untaxed income to verify
  - All other untaxed income on tax return
    - Excluding schedules
  - Other items not reported on the tax return
    - Examples – living allowance, money received, Veteran non-educational benefits, etc.

35 US Department of Education

---

---

---

---

---


---

---

---

### Household Size

- Information obtained:
  - Names of household members
  - Ages
  - Relationship to student
- Must be updated at time of verification
- Documents
  - ED worksheet
  - Signed statement



36 US Department of Education

---

---

---

---

---

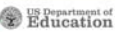
---

---

---

### Household Size - Exceptions

- Don't have to verify household size if:
  - Same as reported and verified last award year
  - Receive ISIR/SAR within 90 days of application signature
  - Dependent student—number is 3 if parents are married or 2 if one parent
  - Independent student—number is 2 if married or 1

37 

---

---

---

---

---


---

---

---

### Number in College

- Information obtained:
  - Names of household members enrolled
  - Ages
  - Relationship to student
  - Names of schools attending
- Must be updated at time of verification
- Documents
  - ED worksheet
  - Signed statement

38 

---

---

---

---

---


---

---

---

### College Enrollment - Exceptions

- Don't have to verify enrollment if:
  - Enrolled is one (student)
  - Receive ISIR/SAR within 90 days of application signature
  - Members are enrolled at least half-time at your school
    - Confirmed through your school records

39 

---

---

---

---

---

---

---

---

### Acceptable Documentation

<i>Data Element</i>	<i>Verification Worksheet &amp; tax return(s)</i>	<i>Other Documentation (in lieu of worksheet or tax return)</i>
Household Size	Yes	Signed statement
Number Enrolled	Yes	Signed statement or school's certification
AGI & Taxes Paid	Yes	IRS tax transcript, other signed IRS forms with tax data, Form 4868, W2, or signed statement
Untaxed Income & Benefits	Yes	Signed statement or official agency document

40

---

---

---

---

---

---

---


---

---

---

### Remember...

- Regardless of verification status
  - Must resolve all “C codes”
  - Must resolve all conflicting information
    - Separate process from verification
    - Involves any information of which the school has knowledge
    - Must resolve before disbursing any aid



41

---

---

---

---

---

---

---

---

---

---

## Completing Verification



42

---

---

---

---

---

---

---

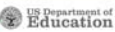
---

---

---

### How to Complete the Process

- Compare documents with original FAFSA
  - Use of checklist in the file
  - FAA access to CPS – verification tool
- Determine if:
  - Information is correct
    - May award and disburse aid (34 CFR 668.58)
  - Errors/inconsistencies
    - Necessary corrections made prior to disbursing

43 

---

---

---

---

---


---

---

---

### Interim Disbursements

- Must be no reason to suspect that FAFSA information is incorrect
  - For Pell, ACG, SMART, FSEOG and Perkins: May only disburse for first payment period
  - For FWS, student may work for a maximum of 60 consecutive days from start of enrollment
  - For Direct Loan and FFEL: May only certify/originate subsidized loans (but not disburse)
- School is liable for the interim funds if ineligible due to incomplete or incorrect data

44 

---

---

---

---

---


---

---

---

### Verification Deadline Dates

- Verification must be completed by the earlier of:
  - 120 days after last day of student enrollment
  - Secretary's deadline (Federal Register)
- School may set an earlier deadline for Stafford and campus-based applicants
- Verification is complete when your school has ALL requested documentation

45 

---

---

---

---

---

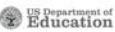
---

---

---

### Consequences

- If the applicant fails to provide the requested verification documentation by the school or ED deadline:
  - Do not disburse any grants or Perkins funds
    - Return any grants or Perkins received for academic year
  - Do not continue FWS employment
  - Do not disburse FFEL/DL funds
    - Return undisbursed funds to lender/ED
  - Do not certify/originate FFEL/DL subsidized proceeds

46 

---

---

---

---

---


---

---

---

### Deadline Dates & Consequences

- However—if the verified SAR/ISIR is submitted/received after the institutional deadline, but within the additional time established by the Secretary, Pell **must** be paid on the **HIGHER of the two EFCs**

47 

---

---

---

---

---


---

---

---

### Selection After Disbursement

- Application might be selected on a subsequent ISIR after already paid
- Must verify application before making further disbursements
- If aid incorrectly disbursed after elements verified, student responsible for paying back ineligible aid
  - Not required to return Stafford funds or FWS wages earned

48 

---

---

---

---

---

---

---

---

### Verification Status Codes

- Used when reporting Pell, ACG, National SMART, TEACH and Direct Loan payments to COD
  - V** – Verified
  - S** – Selected, but not verified
  - W** – Paid without Documentation
  - Blank** — ISIR not selected by CPS or school

49

---

---

---

---

---

---

---

---

### Verification Tolerance - Optional

- No recalculation or reprocessing necessary if:
  - There is no change in non-dollar items used to calculate EFC
  - AND
  - Total difference between incorrect and correct dollar values verified is \$400 or less
- Optional – may always submit corrections

50

---

---

---

---

---

---

---

---

### \$400 Net Tolerance Example

Original Data	Corrected Data
$\$2500 + \$500$ $\underline{\text{minus } \$250}$ $= \$2750$	$\$2800 + \$500$ $\underline{\text{minus } \$281}$ $= \$3019$
<p style="text-align: center;">Net Difference = \$269 (\$3019-\$2750)</p> <p style="text-align: center;"><b>Since within \$400 tolerance, school MAY award student based on original data</b></p>	

51

---

---

---

---

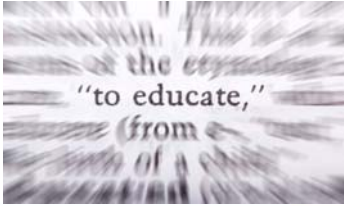
---

---


---

---

# Verification



the way to the future is to educate, from

52 

---

---

---

---

---


---


---

---

## Resources for Verification

- Regulations
  - 34 CFR 668 Subpart E (668.51 to 668.61) and 668.16(f)
  - June 18, 2010 – Notice of Proposed Rulemaking (75 FR 34806)
- FSA HANDBOOK
  - 2009/10 FSAHB AVG Chapter 4
- FSA COACH
- FSA Assessments
- Verification Tool
- ISIR Analysis Tool
- Common Compliance Issues



53 

---

---

---

---


---

---


---

---

## FSA Assessments – Four Categories



Students	Schools	Managing Funds	Innovation
<ul style="list-style-type: none"> <li>ISIR Analysis Tool</li> <li>Verification Tool</li> <li>ISIR Analysis Tool</li> <li>Common Compliance Issues</li> </ul>	<ul style="list-style-type: none"> <li>Student Eligibility</li> <li>Institutional Eligibility</li> <li>Student Eligibility</li> <li>Verification Tool</li> <li>ISIR Analysis Tool</li> <li>Common Compliance Issues</li> </ul>	<ul style="list-style-type: none"> <li>Cost Management</li> <li>Return of Title IV Funds</li> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> </ul>	<ul style="list-style-type: none"> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> <li>ES&amp;S</li> </ul>

54 

---

---

---

---

---

---

---

---

**Common Compliance Issues**

- Missing documentation (tax return, verification worksheets, etc.)
- Missing signatures (student, parent, preparer)
- ISIR not reprocessed
- Conflicting documentation not resolved
  - Consequences
    - Ineligible disbursements
    - Over/underawards
    - Reconstruction of records

55 US Department of Education

---

---

---

---

---

---

---

---

**Proposed Regulations**

56 US Department of Education

---

---

---

---

---

---

---

---

**Negotiated Rulemaking**

- Hearings in Denver, Little Rock, and Philadelphia—June 2009
- Federal Register Notice—September 2009
- Two teams—Program Integrity and Foreign Schools

57 US Department of Education

---

---

---

---

---


---

---

---

### Program Integrity

- 14 issues
- Three meetings—November and December 2009 and January 2010
- Consensus **not** reached



58 US Department of Education

---

---

---

---

---

---

---

---

### Program Integrity

- Notice of Proposed Rulemaking—June 18, 2010
- Comment period ends—August 2, 2010
- Final regulations—November 1, 2010
- Effective date—July 1, 2011

59 US Department of Education

---

---

---

---

---

---

---

---

### Program Integrity

Why was verification on the agenda?

- Last comprehensive look in 1985
- 25 years of experience
- Need analysis changes
- IRS data retrieval
- Operational improvements

60 US Department of Education

---

---

---

---

---

---

---

---

### Proposed--General

- Removed references to individual programs
- Defined “subsidized student financial assistance programs” and “unsubsidized student financial assistance programs”

61 US Department of Education

---

---

---

---

---

---

---

---

### Proposed--General

- Defined “specified year” to allow option of using income data from a different year. No plan to do so for 2011-12
- Use “FAFSA information” rather than “application” to clarify that verification applies to subsequent transactions as well as initial applications

62 US Department of Education

---

---

---

---

---

---

---

---

### Proposed—Verification & Professional Judgment

- Must complete verification prior to exercising professional judgment
- Codifies long-standing policy in regulations



63 US Department of Education

---

---

---

---

---

---

---

---

**Proposed—Selection for Verification**

- Must verify all applicants selected by the Department
- Eliminates 30% limit
- We will target our selection to error-prone items
- Annual Federal Register notice will list data elements that may be selected

64 US Department of Education

---

---

---

---

---

---

---

---

**Proposed—Selection for Verification**

- Continue to require verification of information the institution believes is inaccurate
- Retain flexibility for institutions to select additional information or applications for verification

65 US Department of Education

---

---

---

---

---

---

---

---

**Proposed-Exclusions from Verification**

- Restructured to clarify provisions applicable to—
  - Applicants
  - Parents of dependent applicants
  - Spouses of independent applicants

66 US Department of Education

---

---

---

---

---


---

---

---

### Proposed-Exclusions from Verification

- Removed certain exclusions
- List specific circumstances under which parent's or spouse's information is not subject to verification



67 US Department of Education

---

---

---

---

---

---

---

---

### Proposed--Updating

- Require applicant to update **all** changes in dependency status throughout the award year
  - Including changes resulting from a change in the applicant's marital status
- Applicant's, not institution's, responsibility

68 US Department of Education

---

---

---

---

---


---

---

---

### Proposed-Information to be Verified

- Publish a Federal Register notice annually
  - Information to be verified
  - Documentation



69 US Department of Education

---

---

---

---

---


---

---


---

### Proposed-Information to be Verified

- Specify on SAR/ISIR which items need to be verified
- Initially, will include the current five data elements



70



---

---

---

---

---

---


---

---

### Proposed--Documentation

- Require applicants to provide documentation identified as acceptable in the annual Federal Register notice
- Retained current documentation requirements with technical changes
- Added electronic importation of data obtained from the IRS

71



---

---

---

---

---

---


---

---

### Proposed--Documentation

- Applicants with tax filing extension
  - Institution may require completed tax return when filed
  - If the institution requires the tax return to be submitted, it must re-verify AGI and taxes paid

72



---

---

---

---

---


---

---


---

### Proposed--Documentation

- Tax return not signed by the tax filer
  - Must be signed or stamped by the tax preparer and
  - Contain the preparer's SSN, EIN or PTIN



73



---

---

---

---

---

---


---

---

### Proposed—Interim Disbursements

- Technical and conforming changes
- May make a disbursement after completing verification but prior to receiving a corrected ISIR if the changes would not change the amount of aid

74



---

---

---

---

---


---

---


---

### Proposed-Interim Disbursements

- Must ensure all corrections are submitted to ED to avoid liability



75



---

---

---

---

---


---

---

---

### Proposed-Changes in FAFSA Information

- Removed tolerances
- Require all corrections to be submitted



76 US Department of Education

---

---

---

---

---


---

---

---

### Proposed--Deadlines

- Require institutions to follow cash management procedures for Direct Loans
- Removed the requirement to pay Pell Grant on the higher EFC



77 US Department of Education

---

---

---

---

---


---

---

---

### Proposed—Recovery of Funds

- Require institution to reimburse program account if disbursement made without receiving corrected SAR or ISIR



78 US Department of Education

---

---

---

---


---

---

---

---

QUESTIONS ???



79 US Department of Education

---

---

---

---

---

---

---

---

Contacts

Carney McCullough  
[carney.mccullough@ed.gov](mailto:carney.mccullough@ed.gov)

Dan Klock  
[dan.klock@ed.gov](mailto:dan.klock@ed.gov)

80 US Department of Education

---

---

---

---

---

---

---

---