

Speaker:

So let's go ahead and get started. And my first slide here reminds you that we published the Final Program Integrity Regulations over two years ago now on October 29th, 2010. I realize this morning that means this is the third FSA Conference that I've been speaking about these particular regulations in a row.

And what those regulations did is they eliminated the five items that we have historically required students to verify – you know, all applicants that were selected for verification to verify. And instead, we replaced this with a requirement that each year the department will publish in the Federal Register a notice that will specify which FAFSA information may be subject to verification and what the appropriate documentation for each of those data elements would be.

We published that 2012-2013 Federal Register Notice on July 13th of 2011. And along with it, we published Dear Colleague Letter GEN-11-13. And then the 2013-2014 Federal Register we published on July 12, 2012. And along with that, Dear Colleague Letter GEN-12-11. Which you will note, for both 2012-2013 and 2013-2014 is those longstanding five items that we've all known and loved since like 1985 continue to be there.

And we only added a couple of new items for both 2012-2013 and then again for 2013-2014. Some items in some cases we thought would be easy to verify. Some other items that are sort of in response to an OIG audit.

And you know, when we published the regulations we tried to reassure you that we were going to move to this idea of real customized verification cautiously and carefully and not totally upset everybody's apple cart. And I think we've really tried to keep that promise. We've moved a little bit at a time until we get to real customized verification.

Two things I wanted to point out that we retained in our regulations that I think sometimes people – I don't want to say forget. The first one I think sometimes they do forget. There is a requirement in the verification regulations that an institution has to verify any information that it believes is inaccurate. That's not restricted to just the regular data elements that are selected for verification.

That's a requirement, that you verify data that you believe is inaccurate. And I think people tended to forget that if it wasn't one

of the five items. But I want to remind you that's in our regulations.

The other element that we retained in the new regulations is the ability or the flexibility for institutions to select additional applicants for verification or additional items. So if you have, you know, if Ginger's one of my students and I see a problem with a different data element, I can select Ginger for verification just for that data element. So we kept that flexibility in these final regulations, also.

So as I said, I'm going to start off talking about 2012-2013 and then move on to 2013-2014. So for 2012-2013, as you all know by now, we did not move to real targeted verification yet. There are certain items, and they're going to look really familiar to you, that may need to be verified by the applicant and if appropriate his or her parents and/or spouse.

All selected applicants have to verify household size and number in college. Right? And also, individuals who have listed SNAP benefits. If they have SNAP benefits reflected on the ICER, or child support paid listed on the ICER, they have to verify those particular items as well.

For tax filers, we limited the items here. Well, first of all, it's always adjusted gross income, and income taxes, U.S. income tax pays. Right? Those are the usual customary. And then we limited the untaxed income item in the education credits to be verified to only five items that can be found on a tax return. And are also able to be imported using the IRS data retrieval. So the education credits and then four specific untaxed income items. And that's untaxed IRA distributions, untaxed pensions, IRA deductions and tax-exempt interest.

Non-tax filers just have to verify income earned from work. And the verification worksheet that we provided from 2012-2013 collects the certification that the student and spouse or parents were not employed and had no income earned from work in 2011, which is the base year.

Or the certification that the student and the spouse or parents were not employed and the names and sources of income that they may have received. So the verification worksheet gives you elements that you can use to complete verification for those individuals.

The Federal Register Notice is the official and comprehensive list of the acceptable documentation and the verification items. So that's your main source of information. But let's sort of talk about how to verify income information for tax filers.

You know, the first, the easiest in most cases, and the preferable means of verifying the income information is for someone to use the IRS data retrieval tool. And retrieve their information directly that way and not change it. Right? And if they've done that, that's considered acceptable documentation for the IRS related information.

However, if changes were made to the transferred information or if you, the institution, have reason to believe that the information that was transferred was inaccurate. Let's say they filed an amended tax return. Then the applicant would need to provide the alternative acceptable documentation as outline in the Federal Register. And I'll talk about some of it as we go on.

Under certain conditions, we know, students are not able to use the IRS data retrieval tool. Right? There are a number of those circumstances. And in those cases, we expect those people to be able to provide an IRS tax return transcript of the 2011 tax year information.

Well, as we know, last year there was a little bit of, um, well, of some delays in getting the tax return transcripts. So in April we issued an electronic announcement in which we announced that institutions could accept a signed copy of the relevant 2011 tax return for applicants who had been unsuccessful in using the IRS data retrieval tool or in obtaining a tax return transcript up until July 15th.

I think Jeff mentioned in the Federal Update session this morning, don't count on that same guidance or relief coming up this upcoming year. But for the 2012-2013 year, we did have some relief between April 16th and July 15th. Because we knew there were some students who were kind of caught in this loop and things needed to be done.

I just want to remind you that as we said we don't expect that we'll be able to give this type of relief next year. So I would remind you that if you've got students in this circumstance and you think that there's really, I should say it's a technicality. If you don't think there's anything wrong you certainly can give somebody an estimated award.

You can give an estimated award. You can give an estimated package until you're able to complete verification. I know it takes longer, it's a double step process, but you might want to be thinking about creative solutions for students who may not be able to get their – they may be selected for verification, unable to use the data retrieval tool and not able to get a tax transcript as quickly as we would like.

We do think that there will be some additional speed with which some of the transcripts may be provided next year. But we're going to keep our fingers crossed that what we've been told does work out that way.

So onto our next electronic announcement which we issued back in August. And we only issued an electronic announcement then providing guidance on instances in which a signed copy of the relevant 2011 tax return continues to be acceptable for completing verification. And that's specifically with respect to students or tax filers who've been the victim of identity theft.

We also talked about amended tax returns. We amended our guidance on amended tax returns in that electronic announcement. And we also talked about other non-U.S. tax returns in that particular electronic announcement.

And then finally, on November 2nd we issued yet another electronic announcement. And in this one we informed institutions that we believed that for the remainder of the 2012-2013 award year, for individuals who have attempted unsuccessfully and been unsuccessful in using the IRS data retrieval tool, or for individuals who have attempted to obtain an IRS tax return transcript and have not been successful in doing that, that alternative documentation would be successful for this year.

And that documentation would be a signed copy of the relevant 2011 IRS tax return plus the communication that we asked that the tax filer sign before they give to you from the IRS that states the request to get the IRS tax transcript was not successful. You know, somebody had requested it via the paper process, they'll get a letter back from the IRS. If they've tried to do it online, there will be a screen shot they can print and they can sign that and give that to you.

And then the third piece of documentation that we ask that you collect is a completed and signed IRS form 4506-TEZ or 4506-T

that lists the institution as the third party to receive the tax return transcript from the IRS. Now on that third piece of documentation, here's what I want to caution you about. It's kind of a deterrent.

I think Jeff mentioned that before. If there's no reasonable doubt. If you have no doubt in your mind that the copy of the signed tax return that the student gave you is accurate. If you think that everything is fine. You have no reason to believe that there's a problem, you just keep this 4506 form in the student's file and no further action is required on your behalf on your part.

If for some reason, though, you think that there's something a little off about the tax return that's been submitted to you, then you would need to send the IRS form 4506-TEZ or 4506-T to the IRS and then wait for the response before verification can be completed. So that's what you have to do for the remainder of this year.

Quite frankly, if somebody is at this point unable to use the IRS data retrieval tool or is getting this message back from the IRS that they're unable to provide a tax transcript, they're not going to be able to get there. There's a problem with the authentication. So you really would need to go to this alternative documentation for that student to ever be able to complete verification this year.

It's not a question of, oh, they didn't want to wait three weeks or four weeks to get the tax transcript. They're not going to get it. So would advise you to accept this alternative and use that for this particular year.

Okay, I mentioned that we amended our guidance on amended tax returns. We issued that revised guidance in the electronic announcement of August 21st that I mentioned earlier. We determined through the year and working with our colleagues at IRS and looking at information that we have, that neither the IRS tax return transcript nor the IRS tax account transcript, either individually or together provide all of the information that's necessary to complete verification for someone who has filed the 1040-X, an amended tax return.

So if you the institution become aware that one of your applicants, one of the people who has been selected for verification has filed an amended tax return, you need to obtain a signed copy of the relevant tax return. So the paper tax return. Or if you have a copy of the IRS tax return transcript. And then also a signed copy of the

1040-X that was filed with the IRS in order to get all of the correct information to complete verification for that individual.

And the final issue I want to talk about for 2012-2013 is identity theft. When the IRS has made a determination that a tax filer has been a victim of identity theft, it will not allow that tax filer to use either the data retrieval tool or to receive an IRS tax return transcript until that matter has been resolved by the IRS. And that can be a very, very lengthy process. It can take quite a while, up to a year depending upon the complexity of the situation.

So as a result, we gave the following guidance about what institutions can do to complete verification for victims of identity theft. And I do have to say, that when this first came up I was thinking, wow. And then it became a bigger and bigger issue. It's really kind of frightening to think about how many people are out there that are victims of identity theft. Because it became very clear to us that work on this issue that there are a lot of people that were being affected by that.

So for those individuals to complete verification, you need to collect a signed copy of the relevant tax return and one of the following three pieces of information. The first is the IRS form 14039, known as the identity theft affidavit. And that's if one was submitted to the IRS. Not everybody who's a victim of identity theft files one of these affidavits. So if they didn't, we're not in the business of telling people they need to file that. The IRS will tell them if they need to file that. So don't require them to do that.

But if they did file that, a copy of that. The second alternative is if they didn't submit one, or if they didn't keep a copy of what they submitted, a signed and dated statement that indicates that the tax filer is a victim of identity theft and that the IRS is investigating.

And the third alternative is a copy of the police report that was filed by the tax filer that indicates that they've been a victim of identity theft. So the signed copy of a paper tax return and one of those three pieces of information will be sufficient to complete verification for someone who is a victim of identity theft.

So moving on to the upcoming award year, which will be here upon us very shortly, 2013-2014. We're taking some additional small steps for 2013-2014 towards real customized verification. Items to be verified are going to be grouped into five groups, which Ginger will talk a little bit more about in a few minutes. And the individual students ICER record will indicate that the

student, first of all, has been selected for verification. And then which verification group that student belongs in.

So for 2013-2014, we retained the same exact verification items that we had for 2012-2013, and in addition, we added two new items: high school completion status and _____ or statement of educational purpose. A little over a year ago in October 2011, we issued a Dear Colleague Letter GEN-11-17 concerning fraud rings. And in that letter, we stated that in the future we might in our annual verification notice specify certain additional items that would need to be verified. Including high school diploma information and applicant identity for some applicants.

And the selection of these applicants for verification could be based on common addresses and other patterns and discrepancies that had been identified through our Office of Inspector General's work on fraud rings. And so, guess what? For 2013-2014, we decided to do that. To adopt that. So we added those items to our list of potential verification items for some students.

Now, I'm going to say this, and Ginger's going to say it over and over again. This is going to be probably a very small number of people. So before people get really excited about all of this, it's not going to be a lot of people. We don't think there are that many people that there's a problem with and we're going to err on the side of caution in selecting these people. But if they are one of the people that's selected to verify that, let's talk about what the documentation looks like.

So for high school completion status, where the person said, "Yes, I have a high school diploma," acceptable documentation would include a copy of that high school diploma. Or also, the final high school transcript that shows the date the high school diploma was in fact awarded.

Now, there could be reasons that a student's unable to provide one of these two documentations and an institution needs to determine what appropriate alternative documentation would be appropriate in those circumstances. For example, self-certification we would say is not an acceptable alternative.

Because remember we have to keep coming back to this. Unlike our normal, customary verification that just may be an error prone, this is somebody we think there may be a real problem with. So having somebody who may have mis-certified on their FAFSA that

they had a high school diploma, asking them again to make the same statement. Mm, just really doesn't pass that test there.

One example we can think of is, for example, you might have a school that is closed, a high school that had closed. And sometimes the state would have the records for that. So that would be one place you might go for alternative documentation. Or the local school district.

Okay, another completion status is that the person has the recognized equivalent of a high school diploma. And there are four recognized equivalents of a high school diploma in our regulations. The first is the GED, which we're all familiar with. And I think that's what everybody thinks of when they hear the term "recognized equivalent of a high school diploma." But there are three others as well.

One is a state certificate that's been received by a student after that student has passed a state authorized examination that the state recognizes as the equivalent of a high school diploma. Now, we're not talking about the high stakes exit exams that some states have adopted. This regulation way predates that.

But these are special criteria. There are some states that have developed a process or a procedure for a student to be able to get a high school diploma, not a GED but a real high school diploma, sometime after they would have left high school by passing an examination. So they have like alternative routes to high school diplomas in the state. So if the state has such an alternative route and the student meets that, that's the equivalent of a high school diploma as well.

The third option is the academic transcript of a student who has successfully completed at least a two-year program that's acceptable for full credit towards a bachelor's degree. So you may say, what the heck is that? Right?

So first of all, that would be if somebody has an associate's degree. The second would be if the student had at least 60 semester or trimester credit hours or 72 quarter-credit hours of academic credit. Maybe that doesn't result in the awarding of an associate degree, but it's acceptable for full credit towards a baccalaureate degree, say, at the local four-year public institution. Maybe that's a real two-year transfer type of program.

And the third would be if the student, say, started off in a bachelor's degree program and they've accumulated 60 credits or 72 quarter-credits towards that degree. So those would all be examples of a transcript that would meet that third bullet on this particular slide for documentation of a high school diploma status where it's the recognized equivalent.

Now here's our fourth one. And I always start off by saying, "How many of you remember the previous series that Neil Patrick Harris was in?" Any oldies in there? Remember *Doogie Howser*? Right? Okay. For you youngsters, it's before *How I Met Your Mother*. But anyway, this is where he – [Laughter]

This is where he played this teenage doctor who had by that point already had been through Harvard and Medical School and he was like 15 years old or something. He was your child genius. This is the child genius provision. And we say that if you've got somebody, first of all, they have to be seeking enrolment in a program that's an associate degree level or higher, but they didn't complete high school.

If you are able to demonstrate, document that they've excelled academically in high school and they've met the formalized written policies for your institution for admitting such students, they would also be considered to have the recognized equivalent of a high school diploma.

We don't expect there to be very many of these at schools. But it's still very in the regs and that would be what you would collect. I sort of doubt that these would be the students that might get selected for verification, but you know, I can make that doubt and I guarantee there'll be somebody that falls into that category.

Okay. If somebody indicates that they were home schooled, the documentation would include the transcript or the equivalent that's been signed by the parent or guardian that lists the secondary school courses that the student's completed and documents that they successfully completed their secondary school educational in this home school setting.

Or if there is a secondary school completion credential for home schools that's provided for under state law, that would also be acceptable documentation that they've been home schooled. That would be acceptable documentation under this particular provision.

So the second new item is documenting or verifying identity and statement of educational purpose. And we have two ways of doing this. Now, once again, this is where I stress yet again that the numbers we expect to be really very, very small.

Because our first and preferred method of verifying this item is for the individual in question to appear in person at the institution and present a valid, government issued photo identification such as a driver's license or a non-driver's license, a passport, something that's a government issued photo ID.

And at the institution, they're going to re-sign a statement of educational purpose certifying they're going to be using these funds for educational purposes. That they're receiving for attendance at this particular institution.

And the idea here is if you've got somebody that's in fraud ring, Pell runners taking the money and run and all this other type of thing, that it might be a deterrent to sign these statement again saying, yes, under penalty of law I promise I'm using this for educational purposes. So our first preference is for them to appear in person.

And I always say, remind you about the small numbers again. Because we all know that college presidents and others, and you don't like to have long lines of people snaking outside the financial aid office. We don't expect that there are going to be long lines. There may be, and Ginger will talk a little bit more about the numbers here, but it will be a small number. So that's our preferred way of verifying that.

And obviously, the institution has to maintain an annotated copy of the identification that was submitted. And that would include the date that they submitted it to you and the name of the person that obtained and looked at the documentation.

Now we know there's going to be cases where somebody's unable to appear in person. I mean, this may be a distance ed student that can't appear in person in your office. And so, in those cases we have an alternative to our preferred method. And that is they have to go to a notary.

And they need to provide a copy of that same photo identification, government issued photo identification and they have to sign that statement that we're going to give you in the presence of the

notary. And they have to provide you with the original notarized statement, not a copy of that.

We've been asked also whether or not you can later image that. And the answer to that is, yeah, normal record retention requirements would apply. But we want them to give you that original document, the original notarized statement.

So this was already answered at the federal update, but we're not providing a sample verification worksheet this year. As we said, last year we did one. We didn't want to do one. We said we're moving to customization. We really don't think this is necessary, but we heard from a lot of schools that you really weren't ready for us to not provide you one. And so we did.

And I think it was towards the end of January before we finally were able to get it out to you. With moving to more customization, these five groups this year, and particularly for the group that's going to have to identify the high school completion and the statement of educational purpose, identity items, we really didn't think it's appropriate for us to develop a worksheet.

We think that it's very likely that institutions – I mean, what we would love is if you're able to do a worksheet for Ginger, for her items, and a different one for me, and a different one for Terry based upon our individual circumstances. And some schools will be able to do that.

It's possibly more likely that you're going to develop a worksheet based on these text items that we're going to give you for each of the groups. And maybe each of the groups dependent versus independent, or tax filer versus non-tax filer. But what we're going to provide you in the next few weeks is sample text. And we have put it in a format.

We thought about giving you just text and text formatted, but that was getting really long and complicated. But we've been working really hard and we've worked with some financial aid officers trying to look at the text and look at the wording that we've gotten. We think we're very close to having this done.

So we'll give you text that you'll be able to cut and paste, literally, and create your own verification worksheets if you would like to. You're not required to use the language that we're going to give you with the exception of the statement of educational purpose.

That, we're going to want you to use the language that we give you one that.

So otherwise, you can develop your own worksheet if you would like to, or whatever works. But we think this is going to help. Like I said, particularly we wouldn't want you to ask everybody to verify high school completion status and identify an educational purpose. We that would be overkill.

And remember, part of the idea of moving to customized verification was burden reduction on students and also on you as the institutions. So with that said, I'm going to move on and give this to Ginger.

[Side Conversation] Sorry about that. She doesn't need my microphone. She has her own.

Speaker:

[Laughter] Good afternoon. I'm Ginger Clock and I work in application processing at Federal Student Aid and I am a supervisor over the FAFSA on the web testing team and the ED Express team. And work very closely with the people who are over the CPS team and participation management as well.

We're so glad that a few of our closest friends could join us today *[Laughter]* for this session here. Again, I know this is going to be repetitive, but I don't think it hurts for you to hear things several times. This is sort of some new stuff. Some of it's not, but some of it is.

And my goal today is to sort of show how we're going to tell you this stuff. The new verification items that we've chosen. And again, to stress that we are walking carefully and slowly toward a customized verification, and as Carnie said, we want to be sure that you understand if we say this is the item that needs to be verified, that's the only item that needs to be verified.

And our goal is to make life easier for you and for your students. And we've both sat in your seats before. We've both been financial aid administrators on campuses. We know how it is. And so we're trying to work toward making this an easy process for you and your students.

But in the meantime, identify those students that are error prone. We have spent many years and several different types of analytical processes, statistical analysis in order to determine those students

that we think are the most error prone. When I thought about that, it sort of reminded me of a story that I heard just recently.

There were these three men. And they were out playing golf. And they got struck by lightning and they all dropped dead right there on the spot. Well, they all went to heaven and they met St. Peter. And the first thing they wanted to know was is there golf in heaven.

And of course, St. Peter said, “Yes, there’s golf in heaven. It’s more fabulous than you can imagine. It’s greener than you’ve ever seen. It’s beautiful. You’ll have a wonderful time. But we have one rule. You can’t kill a duck.” Ironically, this is a duck story, too, here at the Peabody. *[Laughter]*

So, they start playing golf and sure enough, after a couple of days, whack, one of the guys hits a duck and the duck drops dead. Almost immediately, miraculously, St. Peter appears and he handcuffs this man to this very homely woman and says, “You will live out your life in eternity together.” So they go off together.

So the other two guys keep going. Oh, okay. Well, they keep playing. And sure enough after a couple more days, the second guy, whack, hits a duck, kills it. St. Peter appears, handcuffs him to this homely woman and sends him off for eternity together. And the other guy says, well, I guess I’ll just keep playing along here.

So he keeps playing and he keeps playing. And all of a sudden, one day, St. Peter appears with this beautiful woman. And the guy says, “I don’t understand. I haven’t killed a duck.” And the beautiful woman says, “No, but I did.” *[Laughter]*

So this is selection by erroneous behavior. So I thought it was appropriate for us. So thank you for indulging me here. As we’ve said, the verification for the standard verification is going to remain the same as it has in this year and in previous years. Just like this year if you’re in the standard group, we’re going to ask if you’re a tax filer to give us certain data elements.

And if you’re a non –tax filer, and of course if you’ve reported child support paid or you’ve reported that you’ve received SNAP and it was the reason that made you auto-zero, then we’re going to ask you to verify that for the student as well.

And also, as in the past, we're going to continue to set the verification flag for you. So there'll be a Y there if the student was selected in this transaction for verification. But new for 2013-2014 will be what we're calling our verification tracking groups. And I'm sure you've seen at several different presentations these five groups. And we're going to talk about that in just a minute.

But those are the new things and this verification tracking flag will appear on the ICER with the V-1, V-2, et cetera, in that. So you will be able to know which group, which category the student fell into and what data elements you need to get documentation for.

Also new for 2013-2014 is we've made a label change in the verification selection change flag. It had a different name; we've renamed it. But this is the flag that tells you that if on an earlier transaction the student was not selected for verification, and now has been selected for this transaction, if there's a Y in this field then that means this student is now selected for verification. And we'll talk about that just a little bit later toward the end when I talk about the processes and all the flags that will tell you about verification.

This next chart is the new famous V-1, V-2, V-3, V-4, V-5 groups. And we're going to walk through each one of these and talk a little bit about what is in each one of these groups. As we said, in the standard verification group, this is where you need to collect AGI, U.S. income taxes paid, untaxed portions of IRA, all of the data elements that Carnie mentioned earlier. As well as if they reported that they had received SNAP. Or if they reported they paid child support. Then you would also ask them just for those specific data elements as well.

For non-tax filers, it's the same thing. Income earned from work, number in the household, number in college, as well as either SNAP or child support paid, just like we said earlier.

The third group is the beginning of our unique group. Actually, it's the second group. Excuse me, the first two were taxpayers and tax filers and non-tax filers. Group two are those people, and there will not be a lot of people. And we have done analysis on prior years and looked at this.

These are people who were not selected for the standard verification process that would have put them into group one. But these are people who received SNAP and that was the only reason

that made them auto zero. We're going to select some of those students and ask you to verify.

We've heard from several people come up and say that we've seen this change. That they misunderstood or whatever and didn't really receive SNAP. And it clarified it. And it could actually change their EFC if it moves them out of an auto-zero situation. So we want to be sure that we're taking a look at this and finding the accurate recipients of this.

The next group is group three, and these are people who have reported that they paid child support to someone, possibly inside or outside of their household. Sometimes their child might move back home, but it's somebody they did report that they paid child support to. That would be the only thing that you would need to verify.

We would ask you to look at these and ask them to provide the appropriate documentation that's been outlined in the Dear Colleague Letter, the Federal Register Notice, the electronic announcements we've put out. So we want to be sure that that's the only thing that we expect you to look at.

Again, like Carnie said, if there was somebody in this group that you had reason to believe something was different and not correct, then you of course would want to go ahead and look at those.

And group four is the beginning of our customized verification group of those not selected for standard verification, but those that we believe are applicants that we have reason to believe that – there are data elements in there that lead us to believe that these people might be part of someone trying to gain information fraudulently to collect.

Just because somebody gets selected in this group doesn't mean that we have evidence that we know that these are people that are fraudulent. These are people whose behaviors have been described to us from schools and from the Office of Inspector General of behavior that might be suspect.

And so we're going to take a look at that. We're going to ask for you to work in partnership with us. I just finished reading an OIG report and – How many of you people think that \$184 million is a lot of money? Well, this is what the OIG is saying over the last four years they believe potentially has been gained from people through fraudulent behavior.

So you can begin to see that even though this is a large program of \$32 billion plus in Pell Grant money, that these people are out here. They are sort of a shifting target. They are sort of like nailing Jell-O to the wall, but we're going to begin to look at this.

We want you to work in cooperation. I'm sure it impacts your resources at your institutions as well as federal resources that the department is assisting students to go to school. And we certainly, as Jeff said in the first session, we want to be responsible stewards of federal dollars and so we're asking you to partner with us and help us identify these people.

So in this particular group, we ask you to identify high school completion status with the documentation that Carnie just mentioned. As well as obtain this identity and statement of educational purpose.

In addition, we're going to ask you if they have SNAP, reported SNAP or reported that they paid child support, that we also want you to verify that. Part of the issue here is that these are other ways to help them increase their potential for a lower EFC to get more Pell Grant money and if we want to reach out and make sure that these people –

This is just one more step that makes it a little more difficult for them to continue on with any other fraudulent behavior. It's one more step they have to go through if they want to try to attempt to get this money for non-educational purposes. So they are included in this group as well.

And in the final group, this is sort of the whole ball of wax. This is everything. If the student met our standard verification selection criteria, if we also believe they may be suspect fraud participants, and/or they received SNAP or they paid child support, we want you to verify all those data elements. And so you would want to collect documentation for all of those different ones.

Some of the things that we want to tell you about. Some of the decisions that we have made is that if an applicant is selected for verification in the standard verification, V-1 group, and they have transferred their information from the IRS and they have not changed that information either on an initial application, or if they went back in, made a correction, went out and got that information, but they were selected for verification, they are considered to be verified for all the FAFSA/IRS information. Adjusted gross

income, taxes paid, et cetera. Unless they made some changes to it or unless you have some reason to believe that this information is not correct. Such as the student or parent mentions to you that they amended their tax return or something like that.

The database that we are matching against with the IRS doesn't have amended tax return information in it. That's why we have those questions that we ask them before they go out to the IRS to retrieve their information. So if they mention to you that they've amended their tax return, then even though the information might come over, it might not be correct if they've changed it.

And the school would only need, then, to verify household size and number in college. Some additional information that we want to tell you about is that we are not even going to select students who might have previously fallen into the standard verification group, but they did go out, retrieve their information, did not change their information in an IRS retrieval. And they have what we call logical household and number in college.

And of course, logical household size would be for a dependent student, if their parent was married, that would be mother, father, student. And so that's three in the household and one in college. For a single dependent student parent, divorced, widowed, never married, that would be two in the household and one in college. And for an independent student, that would be themselves and the one in college.

Or if they were married, they and their spouse and one in college. So we won't even be selected those people because it's sort of illogical for us to say they went out to IRS, we say their info is correct, and they have this very logical household size. So we won't be selecting them. And I wanted to mention something about that. Just struck my mind and it went away, that people have been asking about. But I'll think of it in a minute here. Or I'm sure somebody will have that for a question.

Is this the next slide? The verification like I said remains the same and the original transaction or subsequent transaction. So if the student is selected for verification on the initial transaction they could be selected for verification. If they weren't selected on an initial transaction, they could if they made a change that put them into the error prone model get selected on a subsequent transaction. At which time they would be flagged as selected. And a subsequent transaction after non-selection based on a correction behavior. So just because they make a correction, I know a lot of people say,

“Oh, they just made a correction and they got selected for verification.” That won’t happen. It’s only if they put themselves into certain situations that are considered to be error prone.

Yes, right. And one of the things that we want to remind you is for 2013-2014 is that once you’re selected, you’re always selected. And once you’re in a V group, you’re always in that V group. We aren’t going to go back and say, okay, this person was selected for, say, SNAP for V-2 and then they made a correction and went back through.

And now we’re going to select them for identity and high school verification. We aren’t going to change those V groups. So they’ll always just be selected for that one V group and that’s what it will. Now, as most of you know, I think the next slide has the flags on it here.

The top half of this screen shows you the FAFSA information that appears on a printed ICER. So you can see that the verification flag in this case is marked for a Y and that the verification tracking flag is marked for V-3. V-3 means –

Audience: Child support.

Speaker: Child support paid, yes. And if you read the bottom of the screen, you can figure that out. And then the *[Laughter]* –

Speaker: We’re just trying to see if you’re still awake after lunch.

Speaker: Yes. The label here that I have in red is the verification selection change flag and that in this case this would indicate that this was somebody who had an 02 or greater transaction. They weren’t selected on the first transaction. They came in, made a change and said they had paid child support. And so now, we have selected them for verification.

That won’t necessarily happen just because they do that. But that’s what this flag would mean. The lower half of this screen is a screen shot from the FAA Access to CPS online. And so this shows you on the FAA information section on student inquiry where we will show you the verification selection change flag where it says this transaction is selected now, having not been selected on a previous transaction. The verification flag means this is selected for verification. And the verification tracking flag tells you that child support paid is the verification data element that you need to do this.

One of the things that I hope that you all already know that we currently do is that if a student was not selected on an initial or later transaction and then at some point selected for verification, we do go back into student inquiry.

And if you somehow retrieved an additional ICER from the CPS, there would be an asterisk in the verification flag field showing that this transaction had been selected on a subsequent transaction. So if you're looking at an 01 transaction, and now, like on FA Access, there's an asterisk there. That means that a later transaction has come in and the student has been selected for verification. So that's just sort of a warning to you in case you're using an earlier transaction. So I just want to remind you of that.

And we do put comments on the student aid report. We talked about and decided that most schools probably would prefer that we just continued to tell the student, as we currently do, that they have been selected for a process for verification and that their school will be contacting them about the data elements that they need. It seemed to get very complex and inappropriate for us to be telling them you got selected for SNAP and you need to go provide information for that or one of the specific data elements.

So we've left the SAR comment codes the same as we have the prior years. Dependent students are told that they or their parent have been selected for a process and the independent students are told these are SAR comments 170 and 171, as you can see on the screen.

And I think that's all the information that we had to share with you. We are going to take questions. If you wish to leave the room, we ask that you do so quietly so that those people that want to ask questions can and we can hear what they say. And I see we have one person lined up over here. There are two microphones. One in this aisle and one in this aisle. And we'll try to rotate back and forth so if you'd like to ahead.

Audience: Sure. Thank you. Will there be a change to the risk modeling for school initiated, school sent ICERs for professional judgment and things like that for students being selected for verification again?

Speaker: Yes. That's a very good question. The question was, if the school creates an ICER because they've made a professional judgment about this student, this is a very critical box that you need to check when you submit your correction you need to mark that this is a

professional judgment and we remove them from selection for verification because the information is probably gotten pretty unusual because of the circumstances that they're reporting. So we want to remind you that that's an important role that you play in this process of not getting a correction selected for verification if you did it based on professional judgment.

Audience: My question has to do with high school verification. If a student, the 60 hours that a student brings in an associate's degree or 60 hours, do they have to be within the same program? Or can they just be 60 credit hours that a student brings in?

Speaker: It's 60 credit hours that would be acceptable for full credit towards a baccalaureate degree. Not necessarily the baccalaureate degree or the degree that the student's going to.

Audience: All right. Thank you.

Speaker: We'll just go back and forth, once side to the other.

Audience: How do we report to you that we've verified the high school completion status and the statement of educational purpose?

Speaker: Yeah, we aren't doing it. All of the verification continues to be reporting to COD that you've verified this student. The way we actually get it is we get a grant recipient report from COD to the CPS eventually, and then we do our analysis based on that. We don't currently have any requirement or even any solution for you to report to us your results of having verified these students. Other than that you have to report to COD that you've verified this student.

You know, you're verification flag that you send into them. But we are looking at that as a potential. Because we would like to know the feedback, the results of what you found and that might be a 2014-2015 requirement that we put in. We haven't made those decisions. We're just now beginning those. But that's a very good question.

Any of you that do have suggestions about things that you do on your campus about finding people that you think might be attempting to fraudulently obtain funds, if you would want to share that information, our contact information is on the slide packet and we'd be happy to hear from you. Always glad to get any suggestions that you have, information that you'd like to share with us about your campus experience, we'll be happy to.

Currently we don't have a requirement. We're looking at making it optional next year for you to report what kinds of results you're finding.

Audience:

Hi. My question has to do with the additional financial information or the old worksheet C. If you remember the worksheet C. This is where like child support paid would come off, make the EFC lower. There's a question that says, "Is any part of your adjusted gross income a scholarship?" And at my campus, I find that this is an extremely error prone field.

And I wonder if you would ever at any time consider using that in your error prone model. Because we actually run a report, we've designed a query to find these people. And 99.9 percent of the time, the students have not had a scholarship in their adjusted gross income. But it artificially lowers their EFC, sometimes at very, very huge amounts. Because what happens, they get their 1090-8-T from the student _____ office, and they think that's where they're supposed to put that.

So even though that form is to help them with the Hope Scholarship credit and all that, they're putting it in there. Sometimes it's \$14,000.00, \$15,000.00, \$16,000.00. And you can imagine on a \$40,000.00 income, this would then make them Pell eligible when they normally would not be.

Speaker:

Right. We actually heard basically the opposite yesterday, that somebody said their AIG comes over from IRS and they aren't allowed to take those off. And we need to put a little check box there. So we have heard suggestions. And this is sort of the opposite way. But we're going to take that back and take a look at it. Everybody needs to understand that this is government and things move very, very slowly. *[Laughter]*

So what we talked about two years ago might be happening right now. And you know all the years we talked about IRS and now here we are doing it with the IRS. It eventually will happen. We love your suggestions. We have people on the front row here capturing them and we'll certainly take them back.

We're bound by certain things. Like, we don't have the authority to do some things that you'd like to ask us to do. But where we do, we always take your suggestions. We're happy to hear that and we sort of heard the opposite yesterday. So maybe – we don't want to add any more questions to the FAFSA, but if it clears things up, we're willing to take those as suggestions.

How many people find that students over-report their income and don't benefit themselves by reporting scholarships and taking –?

Speaker: They were already in their AGI.

Speaker: It comes over in their ICER and their AGI. And how many people find that students are discounting their income based on something they believe is scholarship eligible, but not that's making them more eligible. Your trend seems to be greater than the other trend. So but maybe finding a way to identify that and sort of call it out will help the students better answer that question. Thank you.

Audience: [Inaudible]

Speaker: You're suggesting we look at the FAFSA wording and maybe help text on FAFSA on the web in terms of how we word that particular exclusion, perhaps. Is that what I'm hearing?

Speaker: Telling them not to put information from the 10 –

Speaker: Do you have something on this line? If not, don't report. Yeah, right. Something like that. We'll look at. Yes?

Audience: Students that are institutionally selected, which verification group should we use? Or do we use V-1?

Speaker: You use whatever group you want to. You don't have to put them in a group. You don't have to use V-1, V-2, V-3, V-4, V-5. Or you can select an item that's not even in any one of those verifications.

Audience: Thank you.

Speaker: And you're only going to tell COD the regular codes that you've always sent. We aren't going to send these numbers in. If you verify them, I think it's a V you send in, they won't be part of a number. It's still a one-character field for COD. Thank you. But if you found somebody who was identity prone, I mean that you believed was, then you should go ahead and verify them based on that.

Audience: Hi there. I have two quick ones. I hope they're quick. Attempting to follow the November 2, 2012 electronic announcement advised that you guys received this appeared that it was really going to help a number of our students who have been submitting 45060s for the

IRS and for whom I had actually driven to the IRS and handed them signed 45060s and still didn't get transcripts. We went online and attempted to use the online process to get the screen print. When we got the screen print, it had no identifying information on the screen print. It didn't tell you which taxpayer. It didn't have the student's name on it. It was just said we can't deliver a transcript.

Speaker: Right, you print that out. We know that, right? I'm looking down there. So just write the identifiers and collect their signature.

Audience: Okay. I was excited about that one. I thought that was a good move. Thank you. The other thing I'm stuck on, and maybe it's just me. But on the documentation of high school completion status.

Okay, we already collect high school diplomas and transcripts. But there remains this question about diploma mills. And I just don't feel qualified to make that adjudication. And my admissions office doesn't think it's qualified, either. And we require evidence of high school graduation in order for them to be admitted to the institution.

Speaker: So you require it for admission to your institution?

Audience: We do.

Speaker: So someone in your admissions office is making a determination right there that that's a valid high school, correct?

Audience: They're calling me. *[Laughter]*

Speaker: They're calling you?

Audience: Oh, yes.

Speaker: That's interesting. Okay. You know we're jack-of-all-trades, the financial aid office. Right?

Speaker: We take care of everything in financial aid.

Speaker: Yeah. Um, I really – if you go to the student eligibility toolkit session slides and look, we gave you some resources that might be helpful. Obviously, the first resource is the state in which the high school is allegedly located and there's also a document that's put together by one of the offices within the department that gives

information state by state on private school requirements for those states and home school requirements that at least are some initial steps. There are also membership organizations that do some good jobs in terms of vetting and giving some guidance and also your colleagues.

Audience: And those are all on the eligibility toolkit? Is that all on the student eligibility toolkit?

Speaker: Yes.

Audience: Thank you very much.

Audience: My question is similar to what she just asked. Will we have flags to say, or you're saying the V codes, will then say that this is to verify the high school?

Speaker: If they're a V-4 or a V-5, that's one of the items they're supposed to verify. So the group tells you what the items for that student are.

Audience: Now we have to go online, go somewhere to check to see if they have a valid high school? Because our registrar also verifies if they have a high school diploma. But now the financial aid office will now have to verify.

Speaker: Right. Remember just for a second here. The institution is the institution, right? And there are provisions in the regs already that require you to have mechanisms in place to share information that would be, you know.

So I'm not saying you need to collect it again in the financial aid office. But you could have the little email exchange or the little whatever and some documentation that says, yes, the registrar confirmed that Carnie McCullough has a high school diploma from this particular school at this particular date so that part of the V-4, V-5 is –

Audience: I don't need to keep a copy of it in the file.

Speaker: No. You need to make sure that the information in your admissions or your registrar's office is valid and correct. And as long as you're confident of that, then you are covered. But everybody needs to remember there's going to be very few of these people and some of you may never ever get any of the V-4 or V-5 group. So it's not like you're going to have hundreds of these.

Like Carnie said, they're not going to be lined up out your door saying I'm here to show you my face and sign an educational purpose. You might get one.

And the other thing I should say, also, just in terms of the other institutional offices, just a caveat. I mean, I was an admissions person before I was a financial aid person. Sometimes when somebody's being admitted to your school, they're being admitted based upon seven semesters, not eight semesters of high school.

Now eventually, usually a transcript catches up. But you need to make sure you've got that documentation that shows the high school diploma was issued. Not a seven-semester transcript of somebody that got admitted early action or early decision. I don't think those will be people in –

Audience: In the verification, will you still have the asterisk at the EFC?

Speaker: Yes. None of that's changing.

Audience: Okay. Another question. We will sometimes select students for verification based on certain information. However, when the correction comes back, that ICER comes back not selected. How can we – because we go in to our system and we change the code from a 2 to a 1, saying that now we are selecting them. But when it comes back, sometimes that 2 is back on there, which means that the Department of Education did not select them. So how can we –

Speaker: I'm not sure which two you're referring to.

Audience: We have Banner and there's two codes. If they're selected by DOE, there's a 1. That means that that student has been selected for verification. If they're not, in our system it gives you a 2. So when the school has opted to verify this student, to verify some conflicting information, we will go in in our system and change that to a one. And then we would post the documentation saying this is what we need. However, when we send the corrections in, when it comes back, DOE is still replacing it saying they have not.

Speaker: Just because you've selected them doesn't notify us that you've selected them. If we don't run them through our model and select them, they won't be selected. And when that ICER comes in, it's going to update that field back to being not selected.

Audience: Last year about this time, I noticed that we had students that were going to transfer midyear to another school. They go into their

FAFSA at another school code and all of a sudden, they're selected for FAFSA verification. It's the end of enrolment, those students are gone and we've locked that ICER and processed their Pell Grants, loans and everything, disbursements. But we're not able to verify them after the fact. Has that been an issue?

Speaker: Are they transferring out of your institution?

Audience: They are transferring out of our institution because they just went and added the school code. And that was the only thing they changed was that school code. But it selected it for verification, whereas they had not been selected previously.

Speaker: And they had already left your institution at that point that they were selected? You don't have to do anything if the student's no longer a student at your institution.

Audience: So if it's at the end of the enrolment –

Speaker: You've paid on a transaction and indicated that was the transaction and it was prior to this. And you've marked that as the one you paid on. Right.

Audience: But we would keep getting these reports saying the student was selected and you have not verified them.

Speaker: If they've already left your institution, you're not bound to do anything.

Audience: Okay, thank you.

Speaker: You're welcome.

Audience: Hi, I just have a quick question regarding the selection criteria. I have a quick question regarding the selection criteria for high school verification. If student – we have a lot of foreign high school graduates. So having a foreign high school, would that trigger them getting selected for that?

Speaker: No, not necessarily. As we said, it's going to be a very small number and having a foreign high school would not in and of itself be a trigger for being a V-4 or V-5.

Audience: Thank you.

Speaker: You're welcome.

Audience: My question was about the IRS data retrieval tool as it relates to untaxed pensions that were rolled over. I was noticing anytime there was a parent that had a rollover pension, that data was pulling in on the ICER even though it's supposed to be excluded. So is that something that we're going to see updated in the new year?

Speaker: No, we're not going to be able to make any changes with respect to what's retrieved and everything. And there is a Q and A on the Program Integrity Q and A website under verification that tells you how to handle verification in the case of a rollover.

Audience: Fantastic. Thank you.

Speaker: You're welcome.

Audience: Hi, I have two quick questions. The 1040-X. I believe the slide says that one of the documentations were we are to collect a signed copy of the 1040-X as submitted to the IRS. Is that correct?

Speaker: That's correct.

Audience: And let's say that person doesn't keep a signed copy of their 1040-X prior to the – what is our alternative.

Speaker: Don't know.

Audience: Ah. *[Laughter]*

Speaker: I mean, they need to provide you with a copy, a signed copy of the 1040-X that was submitted to the IRS.

Audience: So the IRS cannot give us a signed copy of it. That's what I'm – I'm looking for that.

Speaker: I know. No. There's no way to get that.

Audience: Okay. So there's no answer for that piece of it.

Speaker: No.

Audience: Okay. And the second one, and it may be back to what that other person said. But scenario is, especially since you're selecting, the government's going to select **doc – I** transactions after we might have already paid. And I think there's something in the law that

says what happens after you've disbursed and they get selected for verification.

And I'm still starting to do a little more research. But here's the scenario. The school pays without the person being selected for verification. The student's still enrolled in your school and a new ICER comes in that says now they're selected for verification.

Despite all your efforts to get the documentation, they leave before the new documentation comes in. You've stopped from future disbursements. What is the school's responsibility if anything after they've made a good faith effort on that first disbursement and the only disbursement, and they got selected while they're still a student but you don't have that?

Speaker: But they never resolved the conflicting information then, from the second transaction.

Audience: Well, originally about the disbursement was never –

Speaker: At the time that you made the disbursement, it was a valid disbursement by the institution. The student's liable for the money.

Audience: Okay. Because I thought there was some stuff in there that talked about selecting and you've got to go back and –

Speaker: Yeah, you do have to go back and try to collect. To try to complete the verification if the student doesn't provide it then it's the student's liability on their behalf as opposed to yours. Because at the time you made the disbursement, you had no reason to know that any of the information was not correct.

Audience: So when you're saying a liability does that mean you have to try to get the money back?

Speaker: You can follow your normal customary overpayment procedures.

Audience: So this would be considered an overpayment. So the schools need to recognize that they need to put some other process in place. Because normally once you disburse, you just stop the future disbursements. You don't go back and clean up people that you've now paid that are now subsequently selected. *[Crosstalk]* So that's something that needs to be really educated.

Speaker: Right, and remember, the old conflicting information stuff. You've got to look at subsequent ICERs that come in. You can't just say I'm going to ignore it. You've got to look at it and resolve any conflicts.

Speaker: If he continued at your school.

Speaker: Yes, if they continue at your school. Once they're gone, we kind of get you – you're off the hook there. Okay. We've got less than five minutes.

Audience: Okay. Hopefully quick question about the educational purpose. For the students who can't appear in person, so they have to have the notarized statement. Does the copy of their ID also have to be notarized?

Speaker: They present the copy of – they need to send a copy of the identification that's been submitted to the notary. That's part of the statement.

Audience: Okay. And then, does the documentation that is not received in person have to have the notation from the authorized person who accepted it on it?

Speaker: No, if it's signed by the notary, the notary is sort of standing in lieu of that.

Audience: On the first slide describing V-1 standard verification, you indicated that if a student reports that they received SNAP or child support paid, or that they paid child support, that that's something we have to verify. On a further slide, later on the presentation indicated that the use of data retrieval, all we have to verify is the number in household and number in college. Does that mean that even if they report child support paid or –

Speaker: No, if they report child support paid or SNAP in V-1 also they have to verify that.

Audience: Okay, thank you.

Speaker: Sure.

Audience: Hi, I have a question regarding collecting an identification on a dependent student. Do you need to collect for the student and the parent? Or just the student?

Speaker: It's just the student.

Audience: I have a question about verifying high school graduates. I'm from South Florida; we get quite a few students from Cuba. There are a lot of times when a student leaves Cuba bound for the United States, the Cuban officials don't allow them to take their educational credentials with them. Only those students we allow them to self-certify their high school. What remedy do they have if they're selected for verification for high school?

Speaker: We need to come up with an alternative. And I would love for you to help me come up with an alternative. Because remember the V-4 or V-5 people are following a pattern that makes us a little bit suspect.

Which is why we're saying, mm, self-certification not a good idea. But maybe, we've said you can accept alternative documentation. We haven't been very specific about what that would be other than not self-certification. But maybe you can help us come up with something.

Speaker: You have some history and some experience like did they bring report cards? What did they bring with them that showed that they were progressing through high school and things like that? If you could help us come up with some ideas –

Speaker: A third party person that could help attest to that. For example, rather than just a self-certification. I'm thinking off the top of my head, but I would love some creative suggestions that might work for your –

Speaker: And some consistent behavior that you've seen by these students some potential could exist.

Speaker: That would be helpful.

Audience: Okay.

Audience: High school completion, again. I know you said it's going to be a small selection group that actually get into the V-4, V-5. But what I was wondering about is like how is the department then selecting these candidates? What are your triggers that are going to put someone into that?

Speaker: If we told you, we'd have to kill you. No. *[Laughter]* We don't reveal our triggers exactly, but –

Speaker: We're working with the Office of Inspector General and they've done an intensive study on this. And we've done a statistical analysis of the two prior years to look at certain behaviors that they've provided with us of those people that they have found and have already prosecuted and stuff around fraud. So we're working diligently to identify sort of behavior patterns.

Audience: I'm glad about the foreign students who don't necessarily –

Speaker: We aren't targeting anything along those lines. We wouldn't know if somebody had a foreign high school because all we know is – we don't know that. We don't get that information, so we don't know they attended a foreign high school.

Speaker: They just typed something in other than the drop down list, we wouldn't really know.

Audience: Okay, thank you.

Speaker: You're welcome. Last question.

Audience: For 2012-2013, AVG lists in the right hand margin that an account transcript is required for amended taxes and I just wanted to –

Speaker: That is being corrected as we speak. As we said, that was one of the things that we amended. We amended our guidance on amended tax returns. And I do know that they're working on sort of updating and clarifying some of the changes in the AVG based upon the amended guidance.

Audience: So what was included in the PowerPoint Presentation should be what we follow throughout the rest of the year.

Speaker: Correct. And actually, if you keep track, it's also on the Q and A website, the Program Integrity Verification Q and A website. Which we've tried to keep that very current and even though the AVG is obviously a great resource, it's a little more static. So as we've been in this year of changes, we've been trying to post information as quickly as we could to that Q and A website.

Audience: All right. Thank you so much.

Speaker: You're welcome. Thank you everybody for coming this afternoon.
[Applause]

[End of Audio]