

Managing Conflicting Information

FASFAA Clock Hour Workshop
November 2, 2011

Session Overview

- What is and is not conflicting data under the regulations?
- Sources of conflicting data
- What constitutes resolution of conflicting data
- How long do you have to resolve conflicting data
- Timing of receipt of conflicting data
- Handling taxable and untaxed income
- What is simplified formula and automatic zero EFC?
- Good practices versus what is required
- When is it out of your hands and you need to contact the Office of the Inspector General
- Verification changes for 2012-2013

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What do the regulations say is conflicting data?

- Information obtained that is different from the information previously available to the institution and that impacts a student's eligibility for aid.
- Includes, but is not limited to verification!

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What do the regulations say is conflicting data?

(cont'd)

- Conflicting data may include information related to a student's eligibility such as:
 - ❖ Citizenship status
 - ❖ Accuracy of SSN
 - ❖ Default or overpayment status
 - ❖ Change in student's academic status (including grade level progression)
 - ❖ COA elements
 - ❖ Other financial assistance or resources, and
 - ❖ Inconsistent information used in the EFC calculation

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What do the regulations say is conflicting data?

(cont'd)

- §668.16(f) of the General Provisions regulations states that an institution has the administrative capability to administer the Title IV programs if, among other things it
 - ❖ "Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under the Title IV, HEA programs. In determining whether the institutions system is adequate, the Secretary considers whether the institution obtains and reviews -----

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What do the regulations say is conflicting data?

(cont'd)

- ... (1) All student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of the applicant.
- (2) Any documents, including any copies of State and Federal tax returns, that are normally collected by the institution to verify information received from the student or other sources; and
- (3) Any other information normally available to the institution regarding a student's citizenship, previous educational experience, documentation of the student's social security number or other factors relating to the student's eligibility for funds under the Title IV, HEA programs.

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What do the regulations say is conflicting data?

(cont'd)

- §668.16(b)(3) also requires that the institution "communicates to the individual designated to be responsible for administering Title IV, HEA programs, all the information received by any institutional office that bears on a student's eligibility of Title IV, HEA programs assistance."
 - ❖ If the institution has the information, you must deal with it.
 - ❖ You only have to deal with things that conflict on the surface, or with things that you have reason to believe are inaccurate.

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What do the regulations say is conflicting data?

(cont'd)

- Why is it important to resolve the conflicting data?

It ensures that the right students (eligible students) receive the right (correct) amount of aid.

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What is NOT conflicting data under regulations?

- Household size differs from number of exemptions on tax return.
- Dependent under IRS rules vs. ED definition of dependent
- Privacy protected information, such as information from professional counselors, chaplain, doctors, etc.
- Assumption made by CPS
- FAFSA filed using estimated income
- Secondary confirmation match successful, but student has an expired DHS document.

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Sources of Conflicting Data

- External sources
- Other offices within the institution
- Other institutions
- Information from ED
- Information from the student (usually to the financial aid office)

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Sources of Conflicting Data

(External sources)

- Scholarships from outside sources
- State Agencies such as Vocational Rehab, State Scholarship Agencies, Workforce Investment Act, etc.
- Tips from outside sources
 - ❖ Handling anonymous calls and hearsay verses documented credible evidence
- Being proactive
 - ❖ Is the information from a routine business process at the school?

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Sources of Conflicting Data

(Other Offices Within the Institution)

- Generally occurs when one office is aware but another office is not
- §668.16(b)(3) & (f) requires system to share information within the institution (institutional requirement, not just a FAO requirement)
 - ❖ Examples:
 - Admissions, Registrar, Business Office, Athletics, Veterans, Payroll, Housing, Academic Departments, Development Office

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Sources of Conflicting Data

(Other Institution)

- Transcripts
- Contact with an office at other institution (not just FAO)
- Information on sibling's attendance and transfer students
- Be aware of FERPA issues

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Sources of Conflicting Data

(Information from ED)

- SARs or ISIRS in general
 - ❖ Selection for verification
 - ❖ C Flags
 - ❖ Reject Codes
 - ❖ Comment Codes

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Sources of Conflicting Data

(Information from ED - cont'd)

- Subsequent SARS or ISIRS must be reviewed (ISIR is considered to be received when put in institution's mailbox)
 - ❖ Still must review **even if earlier transaction was verified**
 - Selection for verification by ED or institution (full or single-item)
 - ❖ EFC or C Flags changed
 - ❖ New Comment codes or NSLDS changes
 - ❖ Updates or corrections

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Sources of Conflicting Data

(Information from ED - cont'd)

- Subsequent SARS or ISIRS must be reviewed – cont'd
 - ❖ If no change in EFC (and no change in C Flag, matches, or NSLDS) **no action required**.
 - ❖ If EFC changes **and** data elements changed were previously verified, **no action needed**.
 - ❖ If EFC changes and data previously not verified, **must resolve conflict**.

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Sources of Conflicting Data

(Information from ED - cont'd)

- Updated NSLDS information
 - ❖ Post screenings (usually from subsequent ISIR)
 - Loan limits and C flags
 - ❖ Multiple Recording Records (MRRs) and Potential Overaward Projects (POPS) from COD

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Sources of Conflicting Data

(Information from student to FAO)

- Unsolicited submission of tax returns or schedules
- Supplemental financial aid applications
- Other information provided by student
- C flags for PLUS-only FAFSA filer must still be resolved

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What Constitutes Resolution of Conflicting Data

- Basically, resolution is the determination of what is the correct information
 - ❖ Sometimes that may be simply confirmation that an earlier determination was correct
- Documentation of resolution is required

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How long to do you have to resolve conflicting data?

- Distinction between how long you need to check conflicting information and how long to actually resolve the conflict
- In general, you have to be concerned about conflicting data forever
- You need to resolve the conflict expediently
- You cannot disburse aid (or make additional disbursements of aid) until the conflict is resolved.

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Timing of Institution's Receipt of Conflicting Data

- If student is no longer enrolled when the institution becomes aware of conflicting data and there is remaining aid to be disbursed, you must resolve the conflict before making any late or post withdrawal disbursements

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Timing of Institution's Receipt of Conflicting Data

(cont'd)

- No further action is needed if:
 - ❖ All aid for period of enrollment has been disbursed, **and**
 - ❖ At the time of disbursement, there was no conflicting information, **and**
 - ❖ Student no longer enrolled at the institution (and is not intending to re-enroll)
- Aid (that school is unaware of) received after student no longer enrolled (but is intending to re-enroll) may be treated as resource/EFA for the subsequent period of enrollment, but must deal with it

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Timing of Institution's Receipt of Conflicting Data

(cont'd)

- Cross-year conflicts must be resolved
 - ❖ continuing student, payment period or award year has ended and all payment periods for which aid has been awarded are finished.
 - ❖ Between award years – usually student eligibility issues such as prior default, late reporting of overpayment, student had a BA and received a Pell, etc.
- Processing year has shut down
 - ❖ Still must resolve conflict

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Handling Conflicts in Taxable Income

- Handbook states FAA should be able to determine if applicant required to file tax return, but FAA not expected to be a tax law expert
 - §668.56(a)(5)(vii) says first two pages of 1040 are sufficient for verification (e.g. W-2's and schedules are not required)
 - Must resolve:
 - Married filing separately but both claimed "Head of Household"
 - Student claimed self as an exemption but so did parent
 - Net assets = \$0 but income generated from assets on the return
 - Student made more than \$9,350 (single) or \$18,700 (married) but did not file tax return.
 - Student earned more than \$400 HSH but did not file Schedule C or C-EZ and pay self-employment tax (see IRS Publication 17)

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Handling Conflicts in Taxable Income

(cont'd.)

- Required to resolve:
 - Claimed multiple or conflicting credits
 - IRS Form W-2, Box 14 issues (e.g. housing allowances for clergy)

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Handling Conflicts in Untaxed Income

- What is required to be verified?
 - More items reported under untaxed income and benefits that ED requires to be verified
 - Look at combination of verification worksheet and tax return to compare against FAFSA worksheets

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What is Simplified Formula?

- Simplified formula is the same as regular formula, except asset information is not considered in the calculation.
- Dependent student qualifies for simplified calculation if:
 - Parents' combined AGI (tax filers) or income earned from work (non-filers) is <\$50,000 **and**
 - Either the parents were not required to file the 1040, one of them is a dislocated worker or anyone counted in household size received means-tested federal benefit

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What is Simplified Formula? (cont'd.)

- Independent student qualifies for simplified calculation if:
 - Student's and spouse's combined AGI (tax filers) or income earned from work (non-filers) is <\$50,000 **and**
 - Either the student and spouse were not required to file the 1040, one of them is a dislocated worker or anyone counted in household size received means-tested federal benefit (e.g. SSI, food stamps, free & reduced price school lunches, TANF, WIC)

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Who Qualifies for Automatic Zero EFC?

- CPS will assign a zero EFC to a dependent student if:
 - Parents' combined AGI (tax filers) or combined income earned from work (non-filers) is <\$30,000 **and**
 - Either the parents were not required to file the 1040, one of them is a dislocated worker or anyone counted in household size received means-tested federal benefit

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Who Qualifies for Automatic Zero EFC?

(cont'd.)

- An independent student with dependents other than a spouse automatically qualifies for a zero EFC if:
 - Student's and spouse's combined AGI (tax filers) or combined income earned from work (non-filers) is <\$30,000 **and**
 - Either the student and spouse were not required to file the 1040, one of them is a dislocated worker or anyone counted in household size received means-tested federal benefit
 - Independent students with no dependents other than a spouse do not qualify for auto zero EFC.

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Good practices vs. What's required

- Low income review
- Always have the ability to ask for whatever information you need any time that you think there is a problem
- Untaxed Income resolution
- Box 14 of IRS form W-2
- Digging deeper or to more layers than you need to

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When should you contact the Office of Inspector General?

- §668.16(g) requires an institution to refer to the OIG any credible information indicating that an applicant for Title IV aid may have engaged in fraud or other criminal misconduct in connection with his or her application. Refer information which is relevant to the student's eligibility or the amount of the assistance.
 - ❖ Examples: false claims of independent student status, false claims of citizenship, use of false identities, forgery of signature of certifications, and false statements of income
- REMINDER: Fraud is an intent to deceive as opposed to a mistake!

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Verification Changes for 2012-13

Verification 2012-2013 Changes (effective July 1, 2012)

- General Changes
 - Removes references to individual programs
 - Define “subsidized student financial assistance programs” and “unsubsidized student financial assistance programs.”
 - Uses “FAFSA information” instead of “application”
 - Defines “specified year” as base year or year prior to base year
 - Specifies must complete verification prior to exercising professional judgment.

Verification 2012-2013 Changes (effective July 1, 2012)

- Selection
 - Institutions must verify all selected applicants, 30% limit is eliminated.
 - Institutions must continue to resolve conflicting information they believe is inaccurate.
 - Institutions keep flexibility to select additional information or applications.

Verification 2012-2013 Changes (effective July 1, 2012)

- Exclusions
 - Removes certain exclusions
 - Restructures to clarify provisions applicable to
 - Applicants
 - Parents of dependent applicants
 - Spouses of independent applicants
 - Specific situations when parent’s or spouse’s information is not subject to verification

Verification 2012-2013 Changes (effective July 1, 2012)

- Updating
 - Applicant required to update all changes in dependency status throughout the award year, except changes resulting from a change in applicant's marital status
 - Applicant's responsibility, not institution.
 - FAA may require applicant to update marital status to address inequity or to reflect more accurately the applicant's ability to pay.
 - Documentation not required if the information has not changed during subsequent verification of household and number in college.

Verification 2012-2013 Changes (effective July 1, 2012)

- Items to Verify
 - Will be published in annual federal register notice
 - Items to verify
 - Documentation
 - Initially will include the current five data elements
 - AGI
 - U.S. income taxes paid
 - Certain untaxed income and benefits
 - Number in Household
 - Number in College

Verification 2012-2013 Changes (effective July 1, 2012)

- Documentation
 - As specified as acceptable in annual federal register notice
 - Retained current documentation requirements with technical changes
 - Added option to retrieve electronic data from IRS
- For applicants with tax filing extension:
 - *May require* completed tax return when filed
 - *Must re-verify* AGI and taxes paid, when/if the tax return is submitted
- Tax return not filed by the tax filer
 - Must be signed, typed, printed or stamped by the tax preparer and
 - Contain the preparer's SSN, EIN or PTIN

Verification 2012-2013 Changes (effective July 1, 2012)

- Interim Disbursements
 - Technical and conforming changes
 - May make a disbursement after completing verification but prior to receiving a corrected valid SAR or valid ISIR if the changes would not change the amount of aid
 - To avoid liability, must ensure necessary corrections are submitted to ED
 - Valid SAR or Valid ISIR required before disbursement can be made for all Title IV programs

Verification 2012-2013 Changes (effective July 1, 2012)

- Deadlines
 - Require institutions to follow cash management procedures for Direct Loans
 - Remove the Requirement to pay Pell grant on higher EFC
- Fund recovery
 - Requires institutions to reimburse program from disbursement made without receiving corrected valid SAR or ISIR
 - Requires recovery of overpayments that occur from interim disbursements for the students employed under the FWS program.

Verification 2012-2013 Changes (effective July 1, 2012)

- Corrections
 - Changes in the FAFSA information
 - Remove the \$400 tolerance
 - Require all corrections over \$25 to be submitted
 - Require all corrections of non-dollar items

Sources

- Federal Regulations §668.XX (refer to presentation)
- Federal Student Aid Handbook
- IRS Publication 17

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