NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

1801 PENNSYLVANIA AVENUE, NW, SUITE 850
WASHINGTON, DC 20006-3606

Testimony of
Justin Draeger
NASFAA President

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"Improper Payments in the Federal Government: Student Aid."

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Introduction

On behalf of the National Association of Student Financial Aid Administrators (NASFAA), we submit the following statement for the record with respect to improper payments of Higher Education Act (HEA), Title IV student financial aid. The cost of college is the barrier most cited by students and families as they pursue higher education, and financial aid lowers that barrier. NASFAA represents financial aid administrators at 3,000 public and private colleges, universities, and trade schools across our nation who pull together federal, state, and institutional aid programs to help families pay for college. Collectively, NASFAA members serve 90 percent of undergraduate students studying in the United States.

Improper payments within the federal Title IV student financial aid programs take various forms, but of most concern to NASFAA members are those that occur when federal student financial aid goes to an ineligible individual, or when an eligible student receives an incorrect amount as an overpayment or underpayment. The programs identified by the Department of Education (ED)[1] as susceptible to significant improper payments are the Pell Grant Program and the Direct Loan Program. Significant improper payments are considered those that exceed both 1.5 percent of program payments and $10 million annually, or that exceed $100 million.[2]

The Pell Grant Program is targeted to the poorest of America's students, who are, by nature, among the most disadvantaged and underrepresented in higher education. Higher education represents a proven path of escape from poverty and Pell Grants are key to providing access to higher education for America's neediest students[3]. In 2014-15, 66 percent of Pell Grant recipients had an expected family contribution towards educational costs of zero under the Congressionally-mandated federal need analysis formula.[4] These students and families are generally the most sensitive to barriers that can arise when measures intended to safeguard program integrity are introduced into the Title IV student aid application and delivery processes.

The Direct Loan Program is the largest source of federal student aid, with $97.1 billion in outlays for FY 2016, compared to $28.2 billion for Pell Grant.[5] Low-cost student loans with borrower protections and, for financially needy students, up-front subsidies, enable choice as well as access, allowing low- and middle-income students the option to borrow to cover the higher costs of more selective colleges. Back-end repayment assistance such as income-driven repayment plans, deferment of payment when the borrower encounters hardship, and the opportunity for cancellation of repayment obligations under certain conditions are safeguards and benefits that only government loans provide.

Improper payments threaten these vital programs. They are a disservice to all stakeholders, most prominently eligible students, schools, and taxpayers, as well as the federal government. Both ED and financial aid administrators strive to eliminate improper payments. Acknowledging the fact that no system or individual is perfect, we still share a common desire

[1] US Department of Education, FY 2016 Agency Financial Report
[2] US Department of Education Office of Inspector General, FY 2017 Management Challenges
[3] College Board, Education Pays 2016
[4] College Board, Trends in Student Aid 2016
[5] US Department of Education, FY 2016 Agency Financial Report

to drive the rate of improper payments as low as possible.

The challenge is to do so without also driving out the very students these aid programs have been designed to help.

Causes of Improper Payments

An improper payment can be the result of fraud (perpetrated by individuals or organized rings), or error (caused by individual human error or systemic shortcomings).

The threat of fraud comes primarily from individuals who enroll solely to obtain funds illicitly. While fraud can be committed by students who are in fact pursuing an education, or by institutional employees working from within the system, we hear the greatest concerns about organized fraud rings. Detection of any source of fraud is difficult, and prevention requires a concerted effort by numerous entities, especially in the realms of cybersecurity and distance education. The Department of Education's Office of Inspector General (OIG) stated in a Management Information Report issued in 2013 that student aid fraud ring activity had increased 82 percent from award year 2009 to 2013; an OIG Investigative Program Advisory Report issued in 2011 had also warned of increasing fraud activity. ED's response to the Management Information Report included steps beginning in 2013 to combat fraud as part of the aid application process: establishing an "unusual enrollment history" edit that schools must resolve before disbursing federal aid, and requiring a more rigorous check of high school diploma credentials (which may require additional examination by the school if ED's initial check raises suspicion). These steps are highly individual and resolution requires case-by-case attention. ED also began to collect and scrutinize email and IP address information as part of the FAFSA on the Web application process, both to detect possible fraud and to establish an enhanced risk model to aid in the selection of applicants for verification by the school.

Schools have also been concerned with fraud for decades. As far back as 1998, NASFAA's own professional magazine, *Student Aid Transcript,* published a detailed article on detecting and reporting fraud at all stages of aid application and management. A 2012 meeting of various practitioners in higher education held by the American Association of Community Colleges specifically to examine issues of financial aid abuse resulted in a report that emphasized prevention of fraud, and shared strategies and practices that community colleges were employing to prevent abuse of student aid.[6] The report identified campus-wide efforts that schools were making to involve all offices in fraud detection and prevention, many of which were similar to the steps that ED subsequently took, as well as other avenues, such as increased satisfactory academic progress monitoring, smaller financial aid disbursements at more frequent intervals and other disbursement limitations (within regulatory parameters), more in-person counseling, more faculty involvement and awareness, better assessment of prior attendance at other schools, and better identification requirements for out-of-state students. This forum demonstrated a high level of concern and proactive measures on the part of schools to prevent fraud and abuse.

However, a more sustained and broad-based national effort is needed to combat fraud. ED

[6] Baime, D. S., & Mullin, C. M. (2012, April). *Preventing abuse in federal student aid: Community college practices.* Washington, DC: American Association of Community Colleges.

and schools can contribute, but neither can do it alone, nor are ED and schools the only essential participants in the war against fraud. Other government agencies and many private corporations have had unfortunate experiences with fraud. We need more frequent and wide-range sharing of successful strategies developed by schools, industry, and government for fraud detection and prevention.

Error, unlike fraud, occurs solely from inside the financial aid system; ED and schools should be able to detect and reduce error more easily than fraud. Indeed, a great deal of progress has been made over the years, as various database matches (Appendix A) at the government agency level were developed to ensure compliance with general student eligibility criteria, such as citizenship requirements and default restrictions. Nonetheless, problems with error still exist.

According to the Department of Education's FY 2016 Agency Financial Report (AFR), a major root cause of improper payments in today's environment is unverified, self-reported financial data provided by aid applicants. For the past several years, ED and the Internal Revenue Service (IRS) have cooperatively made strides towards improving the integrity of financial data provided on the Free Application for Federal Student Aid (FAFSA) through the Data Retrieval Tool (DRT), which allows an applicant to transfer tax return information from IRS records directly to the FAFSA. This tool virtually eliminates error in the financial data of families able to use it. Its use, however, was restricted by timing issues, in cases where students had to apply for aid before the required tax year data was available in IRS records, and by certain filing statuses.

Beginning with award year 2017-18, ED made a major change to the FAFSA, asking for income and tax information from two years before the year of attendance (prior prior year) rather than the immediate prior year (for example, 2015 financial data for the 2017-18 award year FAFSA rather than 2016 data). This change makes the DRT available to many more applicants for use in completing the FAFSA. Since ED considers data obtained through the DRT to be by definition accurate, further verification by the family to the school is not needed. This tool therefore allows easier completion of the FAFSA, eliminates error, and removes the barrier to completion of the application process that extra steps such as school verification of financial data often caused, especially for low-income and disadvantaged students.

In both its FY 2016 Agency Financial Report and its responses to Office of Inspector General reports[7], ED cited the IRS DRT and the move to prior-prior year income and consequent increased use of the DRT as major steps towards eliminating improper payments caused by erroneous financial data.

In an unfortunate and ironic twist, the IRS took the DRT down in March because it detected a fraud incursion to obtain taxpayer information to file fraudulent tax returns. As a result, an action to prevent fraud has deprived the financial aid system of a major tool to prevent error. Schools had no prior warning that this outage would occur, and did not learn for weeks that the outage would last for many months.

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[7] US Department of Education Office of Inspector Generel, Compliance With Improper Payment Reporting Requirements for Fiscal Year 2015, Final Audit Report and US Department of Education Office of Inspector General, FY 2017 Management Challenges

NASFAA member institutions have reported that the loss of the DRT has resulted in more required verification of FAFSA data, a cumbersome and manual process for students and schools. Manual data entry by applicants and manual verification by schools in lieu of automated data transfer increases the chance of error—and potentially improper payments—twice. It is essential that the DRT be operational and secure to reduce improper payments.

Improper Payment Estimation Methodology

The improper payment rates reported by ED for FY 2016 are significantly higher than prior years. The total 2016 rate for both the Pell Grant and Direct Loan programs was reported as 4.85%[8], slightly higher than the government-wide FY 2016 rate of 4.67%. However, the 2016 increase is at least in part due to the estimation methodology, and changes made to the methodology over the past couple of years. It does not appear possible to identify trends accurately or to identify root causes reliably because of the changes to the methodology, as ED has deviated from using Office of Management and Budget (OMB)-approved methodologies. These changes and the resultant reasons for inaccurate and unreliable estimates of the extent of improper payments and their root causes have been identified by OIG as described in the following paragraphs.

In an audit report issued in 2016[9], the Office of Inspector General found that for FY 2015 rates, "the Department's reported improper payment estimates for both the Pell and Direct Loan programs were inaccurate and unreliable because it used incorrect formulas in performing calculations and deviated from OMB-approved methodologies."[10] OIG had previously found that "improper payment methodologies and estimates in the Department's FY 2014 Agency Financial Report for both the Pell and Direct Loan programs were inaccurate, incomplete, and unreliable.[11]"

ED's current methodology relies on program review results, rather than statistical sampling techniques. OIG's *U.S. Department of Education FY 2017 Management Challenges* reported that ED believed this methodology "provided for a more efficient allocation of resources by integrating the estimation methodology into core FSA [Federal Student Aid] monitoring functions." Program reviews are selectively conducted at higher-risk schools, and few lower-risk schools, likely resulting in skewed estimates of overall improper payments.

According to OIG[12]:

> The disproportionate impact of the few program reviews at lower risk schools included in the estimates was compounded by the relatively small sample sizes of students tested for program reviews at each school. … Therefore, student-level test results for a

[8] From US Department of Education's FY 2016 Agency Financial Report:
- Direct Loan Program: ~$97.1 billion outlays in FY 2016 with IP rate of 3.98%; FY 2015 IP rate was 2.63%
- Pell Grant Program: ~$28.2 billion outlays in FY 2016 with IP rate of 7.85%; FY 2015 IP rate was 1.88%

[9] US Department of Education Office of Inspector General, U.S. Department of Education's Compliance With Improper Payment Reporting Requirements for Fiscal Year 2015, Final Audit Report

[10] ED's originally reported FY 2015 Direct Loan improper payment rate of 1.30% was recalculated to 2.63% to correct for formula execution errors identified by OIG

[11] US Department of Education Office of Inspector General, FY 2017 Management Challenges

[12] US Department of Education Office of Inspector General, FY 2017 Management Challenges

> small number of students, or even one student, can influence the improper payment estimates and introduce the volatility in the estimates, particularly when few program reviews are extrapolated to the majority of disbursed dollars for a program.
>
> As an example of the volatility introduced by this methodology, we found that the Direct Loan program's improper payment rate was heavily influenced by the results of one program review, and in particular 1 of the 22 students sampled at that school. That student was associated with an improper payment of $4,703. To assess the single student's impact on the Direct Loan program's improper payment rate, we recalculated the improper payment rate after removing that student from the sample. As a result of removing this one student, the estimated improper payment rate would decrease from 2.63 percent to 1.51 percent, and the estimated total improper payment amount would decrease from $2.60 billion to $1.49 billion—a difference of $1.1 billion.

In the opposite direction, OIG:

> …identified program reviews at two schools that were included in the Department's improper payment estimates that identified improper payments associated with findings of an ineligible location or an ineligible program. However, the Department did not include the improper payments associated with ineligible locations or ineligible programs in its calculations of the improper payment estimates for the Pell and Direct Loan programs because none of the sampled students reviewed were enrolled in the ineligible program or at an ineligible location.

Because of ED's estimation methodology flaws, OIG "could not conclude whether the Department actually met its [improper payment] reduction target for the Pell program or whether the Department reduced or increased improper payments."

OIG concluded that "the Department's ability to address the root causes of improper payments is limited because it relies on program reviews. These reviews lead to root causes that vary from year to year and as a result, the Department is limited in its ability to assess progress over time."

Further, ED "needs to continue to explore additional opportunities for preventing improper payments. This includes effectively addressing root causes of improper payments that span multiple years of improper payment reporting…. Overall, the Department needs to develop estimation methodologies that are accurate, complete, and reliable and adequately address recommendations made in our audit work."

In its FY 2016 Agency Financial Report, ED agreed with OIG's conclusions, stating that it:

> …acknowledges that its alternative estimation methodology can lead to volatile improper payment estimates. Although the sample size has increased year-over-year, there continues to be variability in the improper payment estimates. This is largely due to fewer program reviews being conducted at lower-risk schools. This category of schools accounts for a large portion of the Direct Loan and Pell Grant program disbursements. As a result, the potential exists for student-level test results of a single observation (such as a single student or school) at lower-risk schools to significantly influence the improper payment estimates, resulting in volatility of the model.

With those caveats in place, ED stated in the AFR that its:

> …analysis indicated that the underlying root cause of improper payments for the Pell Grant and Direct Loan program in FY 2016 was failure to verify financial data and administrative or process errors made by other parties…. Specific root causes associated with the 'Failure to Verify – Financial Data' category include, but are not limited to, ineligibility for a Pell Grant or Direct Loan and incorrect self-reporting of an applicant's income that leads to incorrect awards based on Expected Family Contribution. Specific root causes associated with the 'Administrative or Process Errors Made by – Other Party' category include, but are not limited to, incorrect processing of student data by institutions during normal operations; student account data changes not applied or processed correctly; satisfactory academic progress not achieved; incorrectly calculated return records by institutions returning Title IV student aid funds; and processing errors at the servicer level.

Regarding corrective actions for the root cause "Administrative or Process Errors by Other Party," ED states that "Final Program Review Determinations indicate the action(s) the institution is required to take in order to make the Title IV, HEA programs, or the recipients whole for any funds that were improperly managed and to prevent the same problems from recurring." This corrective action does little to actually address root causes of improper payments arising from error since the action is taken at the individual school level only, and at an admittedly small sampling of institutions.

Institutions are very motivated to stamp out improper payments and wholeheartedly accept increases in administrative requirements to that end, *when they are proven effective.* The problem today is that institutions are required to implement new rules to reduce improper payments without reliable data from ED to show these new rules will actually get at the cause of improper payments.

For example: this last year, if students or parents indicated they did not file a tax return, they were required to provide paper documentation to their school from the IRS to verify that claim. This burdensome process is one of the most often cited barriers in the entire verification process by schools, counselors, and students because it often requires families to mail a request to the IRS that may or may not be answered within 10 business days. ED cited data that showed up to 16.51 percent of FAFSA filers who indicated they did not file a tax return had, in fact, filed. However, ED did not take the next step, or at least did not share with the public, whether verifying those 16.51 percent led to any change in financial aid awards after correction. Meanwhile, this verification requirement created, at best, headaches for low-income students and families and, at worst, financial aid delays and enrollment disruption.

Even if data supported the claim that misreporting of filing status is a significant source of improper payments, the best solution is for the IRS to conduct a database match in real time when a student completes the FAFSA, a solution once under consideration but which has since been scrapped by the IRS.

The most recent source of information that we have, OIG's 2017 management challenges report, acknowledges some promising signs but addresses ED's responsibilities for "other parties" as well:

> The Department's effort to revise its estimation methodology is a good step forward to better identifying improper payments so that corrective actions can be developed and tracked. The OIG will continue to review the Department's efforts, with a focus on assessing how the new methodology is functioning to identify potential sources of improper payments. Ultimately, the ability of the Department to address this management challenge hinges on its ability to identify root causes, develop corrective actions, and demonstrate that its efforts have resulted in reductions in improper payments. While the Department correctly acknowledges that it relies on the internal controls of fund recipients who make payments on behalf of the Department, it is important that the Department's efforts to reduce improper payments includes processes to identify high-risk recipients and ensure that those recipients have effective systems of internal control.[13]

Observations

Institutions are committed to well-targeted student financial aid programs that balance access to higher education against efforts to reduce improper payments resulting from both fraud and errors. As evidenced above, this is a difficult goal to achieve absent reliable analyses of root causes of improper payments. However, we offer the following observations:

- Fraud prevention should not come at the cost of an increase in errors: student financial aid may not be IRS's primary *raison d'etre*, but the DRT is so essential for access to a higher education and to the integrity of the federal student aid programs that it must be given the attention and resources necessary to fix and securely restore it as soon as possible. The DRT is a critical key to mitigating error in self-reported FAFSA information, which is identified by ED as a root cause of improper payments. We also need to ensure that authentication procedures do not make it too difficult to access the DRT, or put its use out of reach of our neediest students who may not have the authentication credentials required to obtain access. Last year's FSA ID implementation is a good and comparable example of what happens when fraud prevention efforts go so far as to limit legitimate access to federal student aid. In the first month following FSA ID implementation the percentage point gap between submitted and completed FAFSAs grew to 5%[14]. While some gap always exists, the fact that the increased gap coincided with the launch of the new FSA ID points to it as a likely culprit since the FSA ID is the final step in completing the FAFSA. As complaints about the FSA ID continued through April 2017, ED announced enhancements to the FSA ID process to improve the user experience, "[b]ased on feedback from users and financial aid professionals"[15]. ED's willingness to revisit the FSA ID process is commendable, but it is far preferable to implement new fraud prevention tools properly from the start.

- Minimizing improper payments must be balanced against creating barriers for the students the programs were created to serve; ED should rigorously consult with

[13] US Department of Education Office of Inspector General, FY 2017 Management Challenges
[14] NCAN, FAFSA Completions for High Schoolers Down Nationwide
[15] US Department of Education Electronic Announcement 2017-04-18, Upcoming Implementation of FSA ID Enhancements

schools and other stakeholders to ensure that preventing risk does not prevent or delay access, as noted in the FSA ID example above.

- ED should rigorously test any data collection changes with schools. We saw significant data collection issues arise when ED instituted certain reporting requirements related to gainful employment programs in 2015. Although ED willingly worked with schools to resolve those issues, better consultation and testing could have prevented some of them in the first place. The new reporting did, however, reveal areas where schools as well as ED had problems with errors in their records or in the accuracy of prior reporting. The errors did not necessarily result in any improper payments up to that point, but the new data requirements and uses of that data will have future ramifications for program eligibility. Nevertheless, it showed a need for better quality control of records, which should be achieved as a cooperative effort.

- Simplification of the formula used to determine financial need for Title IV funds is needed to simplify the FAFSA; simplification could reduce error as well as lower barriers. NASFAA has proposed a simplification scheme based on income tax filing characteristics.[16]

- Commit more resources to investigating fraud. When institutions report instances of fraud discovered on their own campuses to ED's OIG, they find the reports are often not pursued. We understand that limited resources necessitate the prioritizing of larger fraud rings over individual cases of fraud. However, institutions often dedicate significant resources documenting suspected fraud and it is frustrating and disheartening to learn that they are rarely investigated.

- Financial aid regulations are voluminous and complex. We question whether it is humanly possible for any institution to be in 100 percent compliance any more. For example, improper calculations of the return of funds for withdrawn students is consistently one of the top ten audit and program review findings, and it is cited by ED as another root cause of improper payments.[17] The need for over 200 pages of guidance devoted to this topic in ED's *Student Financial Aid Handbook* demonstrates the degree of complexity of this one topic in the administration of federal student aid, and makes the chance for error seem almost inevitable. NASFAA has proposed Reauthorization recommendations to simplify the return of funds.[18]

- Audit and program review final reports to schools must be issued in a timely manner, not only for purposes of improper payment estimates, but also to eliminate accrual of errors and liabilities due to improper payments that occur while schools continue to operate pending final determinations. NASFAA has heard from member institutions of waiting periods of several months to years. In a survey that NASFAA conducted in 2013, over one thousand NASFAA members replied to questions about selection and resolution of program reviews by ED. Of those, 279 had experienced program reviews in the preceding 5 years. Sixty-nine schools reported that it took ED more than a year to release a final report; 55 reported that it took 6 months to a year. One respondent noted: "Have not actually received the final report. It took 16 months to get our initial

[16] NASFAA, FAFSA Simplification - NASFAA FAFSA Working Group Report, July 2015
[17] US Department of Education, FY 2016 Agency Financial Report
[18] NASFAA, Updated Report of the NASFAA Reauthorization Task Force, July 2016

report. It has been 4 months since we responded to the initial report."

In some cases delays are the result of reviewer requests for ED policy clarifications or rulings; if existing rules and guidance are unclear or insufficient enough to cause the program reviewer to seek further guidance, it is no wonder that the school may have erred. The root cause of improper payments in that case may well be out of the school's control. One of NASFAA's Reauthorization recommendations is to mandate a timeframe for issuance of final program review reports.[19] OIG also noted that a number of old audits still require resolution, including one from 2008 and one from 2012.[20]

- In addition to risk-based selection for full audits and program reviews, ED should institute and support voluntary reviews that do not subject schools to fines or liability assessments, as a way of ensuring good and correct practices. In a 2016 survey of financial aid administrators asked to use one word to describe their relationship with ED, of the 28 most frequently-appearing words only three were positive. "Frustrated" was the most-used word, with "adversarial" included among the other most used words. Partnering with schools has the potential not only to reduce improper payments, but to also repair and foster a relationship between ED and financial aid offices that has been historically strained. There is little doubt that the combined expertise of ED and the thousands of financial aid offices across the country could make great strides toward reducing improper payments.

- Accessible training on correcting the root causes of improper payments is essential. An effective means of identifying the root causes that are common to most schools, not just high-risk schools, should underlie training efforts.

- If failure to achieve satisfactory academic progress is a root cause of improper payments, it would be helpful to have an analysis that shows why. Satisfactory academic progress is well-regulated, but has inherent timing issues that make implementation challenging. Is it an issue for improper payments because institutional policies are not compliant, or because those policies are not properly applied, or because inherent challenges are not realistically addressed by the rules, or because more training is needed to understand the rules? For example, there is a very small window of time to get final grades resolved and applied to progress requirements between terms; is this fact realistically addressed by regulations and expectations of timely assessments? This particular analysis might make a good case study for discovering how ED and schools could work together to eliminate root causes of improper payments.

Conclusion

Improper payments divert millions of dollars annually from needy and deserving students for whom the federal student aid programs are essential for college enrollment and success. All parties involved in the administration of the federal student aid programs agree that the incidence of improper payments, whether arising from fraud or error, should be reduced to the greatest extent possible. Reliable data regarding the nature, types, and root causes of

[19] NASFAA, Updated Report of the NASFAA Reauthorization Task Force, July 2016
[20] US Department of Education, FY 2017 Management Challenges

improper payments is essential to achieving that goal, and existing data is inadequate. Without useful data, efforts at reducing improper payments are, at best, ineffective and, at worst, counterproductive. ED should work cooperatively with schools, in a non-punitive environment, both to increase the sample sizes used for calculating improper payment estimates beyond just those schools chosen for program review and to assess a school's Title IV administration on a voluntary basis. In developing mechanisms to prevent improper payments, ED should carefully balance the equally important but frequently at odds goals of simplicity and accuracy. Stakeholder feedback should be carefully considered to ensure that any new measures aimed toward reducing improper payments do not limit access to federal student aid funds for those seeking to use those funds for legitimate purposes. The Data Retrieval Tool is a model for that important balance. The DRT should be expanded to allow for the most users possible and should serve as a model for future efforts to reduce improper payments.

Appendix A- Database Matches

U.S. citizenship match with Social Security Administration (SSA)
Verifies citizenship status of U.S. citizens

Eligible noncitizen match with Department of Homeland Security (DHS)
Verifies the immigration status of permanent residents and other eligible noncitizens

National Student Loan Data System (NSLDS) match
Identifies:

- Prior federal student loan defaults
- Federal student aid overpayments
- Prior subsidized or unsubsidized loans borrowed in excess of aggregate limits
- Unusual Enrollment History (UEH): students whose pattern of enrollment and/ or award history for either Federal Pell Grants or Direct Loans is identified as unusual

  Also used to track:
  - Pell Grant Lifetime Eligibility Used (LEU)
  - 150% Direct Subsidized Loan Limit

Social Security Number (SSN) Match with SSA
Verifies that the name and birth date associated with the SSN in SSA records match the name and birth date on the FAFSA. Also captures and flags situations where more than one student are using the same SSN or if there is a date of death associated with the SSN reported on the FAFSA.

Social Security Administration Death Master File match
FAFSA Central Processing System (CPS) compares student SSNs against a master death file the Department obtains from the SSA.

Selective Service System (SSS) registration match
Verifies whether applicants are registered with SSS

Department of Justice (DOJ) judicial denial of aid under Drug Abuse Act match
The Anti-Drug Abuse Act of 1988 includes provisions that authorize federal and state judges to deny certain federal benefits, including student aid, to persons convicted of drug trafficking or possession. The Central Processing System maintains a hold file of individuals who have received such a judgment. All applicants are checked against this file to determine if they should be denied aid. This is separate from the check for a drug conviction via question 23.

Veteran's Administration (VA) match
Confirms applicant's veteran status if applicant indicated on the FAFSA that he or she is a veteran of the US Armed Forces.

Department of Defense (DOD) match
CPS matches applications against a file provided by DOD to confirm whether an applicant's parent or guardian was a member of the U.S. armed forces and died as a result of service in Iraq or Afghanistan after September 11, 2001 (only for applicants who indicate this on the FAFSA).