

COMPUTER MATCHING AGREEMENT BETWEEN
THE DEPARTMENT OF EDUCATION
AND
THE DEPARTMENT OF VETERANS AFFAIRS

I. INTRODUCTION

The parties to this Computer Matching Agreement (CMA), the United States Department of Education (ED) and the United States Department of Veterans Affairs (VA), enter into this CMA to carry out a computer match in accordance with the Privacy Act of 1974, as amended by the Computer Matching and Privacy Protection Act of 1988 and the Computer Matching and Privacy Protection Amendments of 1990 (Privacy Act) (5 U.S.C. §552a), the Office of Management and Budget (OMB) Final Guidance Interpreting the Provisions of Public Law 100-503, the Computer Matching and Privacy Protection Act of 1988 (54 FR 25818 (June 19, 1989)), and OMB Circular No. A-108, Federal Agency Responsibilities for Review, Reporting, and Publication under the Privacy Act (81 FR 94424 (December 23, 2016)).

This CMA covers the match of ED's Privacy Act system of records, entitled "Federal Student Aid Application File" (18-11-01), and VA's Privacy Act system of records, entitled "Veterans and Beneficiaries Identification Records Location Subsystem—VA" (38VA21) (BIRLS). Persons who apply for assistance under the programs authorized under title IV of the Higher Education Act of 1965 (HEA), as amended, (20 U.S.C. § 1070 *et seq.*) (Title IV, HEA Programs), are considered independent students if they are Veterans. The purpose of this matching program is to verify the assertion made by applicants for Federal student financial assistance under Title IV of the Higher Education Act of 1965, as amended (HEA), (20 U.S.C. §1070 *et seq.*) that they are Veterans.

II. PURPOSE AND AUTHORITY

In order to receive assistance under the Title IV, HEA Programs, an applicant must apply using the Free Application for Federal Student Aid (FAFSA) form so that ED can calculate the applicant's "expected family contribution." For that purpose, an applicant is considered either a "dependent" or "independent" student. The data collected from the FAFSA is stored and processed in an ED system called the Central Processing System (CPS). A "Veteran," as defined in section 480(c)(1) of the HEA (20 U.S.C. §1087vv(c)(1)), is considered an "independent student" under the definition of that term in section 480(d)(1)(D) of the HEA (20 U.S.C. §1087vv(d)(1)(D)). For a dependent student, an expected family contribution is the amount the student and the student's parents can reasonably be expected to contribute towards the student's postsecondary educational costs. For an independent student, an expected family contribution is the amount the student and the student's spouse can reasonably be expected to contribute toward those costs.

Computerized access to BIRLS enables ED to confirm an applicant's assertion of Veteran status on the FAFSA for assistance under Title IV, HEA Programs.

VA has the authority to assist ED to achieve effective services among ED programs and activities affecting Veterans and their dependents under 38 U.S.C. §523.

III. JUSTIFICATION AND EXPECTED RESULTS

An audit report issued by ED's Office of Inspector General (OIG) in January 1997 concluded that numerous Title IV, HEA Program recipients were falsely claiming Veteran status. They thus obtained erroneous payments (or increased amounts) of Title IV Program assistance since they may have qualified for lower payment amounts as dependent students. In conducting its study, OIG confirmed Veteran status claims made by applicants on the FAFSA with VA.

As a result of this matching program, ED expects to eliminate the ability of applicants to incorrectly claim Veteran status, thereby preventing improper payments to applicants who are not Veterans. Matching computer records during application processing is the most efficient and expeditious means of obtaining the information needed to verify Veteran status.

ED has conducted a Cost/Benefit Analysis (CBA) on information relevant to this matching program. This analysis indicated that the estimated cost to ED and VA is \$238,763 per 18-month processing year. The benefits derived from conducting this match are estimated to be approximately \$3,641,598 per 18-month processing year. The detailed CBA is provided in Attachment 1. However, it may be more appropriate to express the primary benefits of this matching program in terms of reliable applicant dependency status, timely service to the public, and prevention of Title IV, HEA Program funds from being disbursed improperly.

IV. RECORDS DESCRIPTION

A. Records that will be matched:

- (1) Federal Student Aid Application File (18-11-01) (data is stored and processed in the ED CPS system); and
- (2) BIRLS - VA (38VA21).

The application match involves the automated transmission of selected Federal Student Aid applicant records via an overnight batch process, which occurs between VA and ED via a Connect:Direct transfer through a secure Virtual Private Network (VPN) tunnel from Connect:Direct secure server. Files come to Connect:Direct secure server from the mainframe and are sent securely to VA. Return files from VA come back to Connect:Direct secure server and are sent back to the mainframe. This process between Connect:Direct secure server and the mainframe uses Tectia Secure File Transfer Protocol (SFTP), a secure protocol in accordance with the Federal Information Processing Standards (FIPS) Publication 197 standard at a minimum of the 128 Advanced Encryption Standard (AES) level File Transfer Secure (FTS) supplied leased line from the ED Central Processing Virtual Data Center to the VA Austin Automation Center, located in Austin, Texas. ED provides the name, Social Security number, and date of birth of each applicant who indicates Veteran status on the FAFSA. VA compares these data elements against the name, Social Security number, and date of birth of Veterans. As

a result of the match, VA assigns one of four values to the applicant records: (1) Veteran status confirmed; (2) record found on database, but not a qualifying Veteran; (3) record not found on database; or (4) record found on database, but applicant on active duty. VA then transmits applicant records back to ED on the FTS-leased line from the VA Austin Automation Center. An applicant whose Veteran status is not confirmed will receive notice from ED on actions the applicant can take to resolve the possible conflict as described in Section VI (Verification Procedures) of this CMA.

B. Data elements used in the matching program:

- (1) Federal Student Aid Application File (18-11-01) (processed by the ED CPS) elements matched:
 - (a) First Name;
 - (b) Last Name;
 - (c) Date of Birth; and
 - (d) Social Security number.
- (2) BIRLS - VA (38VA21) elements matched:
 - (a) First Name;
 - (b) Last Name;
 - (c) Date of Birth; and
 - (d) Social Security number.

VA will record a match if the Social Security number matches, and there is a match with the applicant's last name or date of birth or both of these elements.

- (3) ED will use the system of records identified as 18-11-01, entitled "Federal Student Aid Application File," most recently published at 76 FR 46774 (August 3, 2011). A copy of the published system of records notice is provided in Attachment 2.
- (4) VA will use the system of records identified as "BIRLS - VA" (38VA21), as added by 66 FR 30049 (June 4, 2001). A copy of the published system notice adding routine use 21 to this system notice is provided in Attachment 3.
- (5) Both systems of records contain an appropriate routine use provision permitting the disclosure and exchange of information

pursuant to subsection (b)(3) of the Privacy Act, 5 U.S.C. § 552a(b)(3). The routine use provisions are compatible with the purpose for which the information was collected and also reflect that the disclosures are subject to computer matching. For VA, it is routine use 21. For ED, it is routine use 1(a) and 14.

C. Number of records: Average of 2,952 queries per month for the applicant match.

V. NOTICE PROCEDURES

ED agrees to provide each applicant for benefits a notice of its intention to verify the applicant's eligibility for Title IV, HEA assistance at the time of application by including notice of ED's intent to engage in computer matching in the FAFSA. ED agrees to provide general notice of the re-establishment of this matching program in the *Federal Register*.

VI. VERIFICATION PROCEDURES

ED may not suspend, terminate, reduce, or make a final denial of any financial assistance or payment under Title IV of the HEA to an individual, or take other adverse action against such individual as a result of information produced by this matching program until an institution participating in a program under Title IV of the HEA has asked the applicant to produce evidence of Veteran status or allows the applicant to file as a dependent student. Under the matching program, individual applicant records are matched at the time ED processes applications for Title IV, HEA Program assistance. ED will only send the records of applicants who reported that they are Veterans to VA for matching with the BIRLS System. As a result of an unsuccessful match (VA values 2, 3, or 4), ED notifies the applicant and the applicant's educational institution that VA has not confirmed the applicant's Veteran status via the application output document that is sent both to the institution and the applicant. If VA cannot confirm Veteran status, the applicant must provide proof of Veteran status to the institution if that is the sole reason the student qualified for independent status. For an applicant whose Veteran status is questioned, but he or she qualified as an independent student under criteria other than Veteran status, no further action is required of the applicant.

Important features of this match are the volume and speed of the system. The system is designed to yield match results from applicant data in a short time frame so that applicants have information available to make informed decisions about the Title IV, HEA program assistance available at the institutions where they applied. In fact, the match is so efficient that up to 919 applications per day have been processed in peak months. The applicant is determined to be the best source of information on the validity of notice results. Consequently, ED's notification process is highly automated and requires compressed verification procedures because it is not possible to intervene until after the output document (the Student Aid Report (SAR)/ Institutional Student Information Record - (ISIR)) is issued and challenged by the student. Individual applicants are required personally to resolve match discrepancies. Indeed, the OMB guidelines anticipate such a situation when they state: "It would be of dubious utility to apply the verification requirements equally to all matches and argue that a match that results in an adverse consequence of the loss of, for example, a tuition assistance payment should receive the same

due process procedures as one that results in the loss of an Aid to Families with Dependent Children (AFDC) payment or Food Stamp eligibility...” (54 FR 25818, 25827 (June 19, 1989)).

Furthermore, under the Privacy Act, ED may not suspend, terminate, reduce, or make a final denial of Title IV, HEA Program assistance or take other adverse action against an individual as a result of the information produced by this matching program until, in pertinent part: (1) the individual receives a notice from ED containing a statement of ED’s findings and informing the individual of the opportunity to contest such findings, and (2) the subsequent expiration of the 30-day notice period. To ensure that these requirements are met, when Veteran status is not confirmed as a result of this matching program, ED will: (1) provide a SAR to the student (and will issue an ISIR to the institution, which subsequently also may choose to provide notice to the student of the results of the match) and will provide the student with a minimum of 30 days after the presentation of the SAR to contest the match, and (2) not take any adverse action against an individual as a result of the information produced by this matching program until the expiration of at least 30 days from the presentation of the SAR. The SAR will instruct the student to submit additional verifying information to document his or her Veteran status to the institution. The results of this match do not preclude the applicant from receiving Title IV, HEA Program assistance. The applicant must correct his or her FAFSA information, provide parental data, or document that he or she is a Veteran as defined in the HEA. The institution will assist the applicant in making any necessary corrections to receive financial assistance at the postsecondary educational institution that he or she is attending. The applicant is the person who is best able to produce documents to verify Veteran status, by, for example, submitting a copy of the Certificate of Release or Discharge from Active Duty (DD Form 214). He or she may also contact the VA Regional Office, or branch of service in which he or she served, to obtain confirmation of Veteran status. The institution will inform the student whether he or she is considered a Veteran for purposes of Title IV, HEA Program assistance after considering any additional information provided by the student.

VII. DISPOSITION OF MATCHED ITEMS

- A. ED will retain all matched records received from the VA data file(s) with identifying information in accordance with the requirements of the Department of Education Comprehensive Records Retention and Disposition Schedule, 072 FSA Application, Origination, and Disbursement Records (DAA-0441-2013-0002) (ED 072). ED is currently in the process of preparing, and submitting for the National Archives and Records Administration’s (NARA) review, amendments to ED 072. ED will not destroy the aforementioned records until such time as NARA approves these amendments.
- B. VA will use only those records of Federal student aid applicants that are identified as Veterans. Input records transmitted by ED to VA are only retained by VA until the next business day’s input file is received by VA from ED, at which time the prior ED file is eliminated from the VA system.

VIII. SECURITY AND PRIVACY SAFEGUARDS

VA and ED agree to comply with the requirements of the Federal Information Security Management Act, as amended (FISMA), 44 U.S.C. §3541 et seq.; related OMB circulars and memoranda, including Circular A-130, Management of Federal Information as a Strategic Resource, and Memorandum M-17-12, “Preparing for and Responding to a Breach of Personally Identifiable Information” (January 3, 2017); National Institute of Standards and Technology (NIST) directives; and the Federal Acquisition Regulations (FAR). Both CPS and the BIRLS database have a current Authority to Operate in accordance with FISMA. These laws, directives, and regulations include requirements for safeguarding Federal information systems and personally identifiable information (PII) used in Federal Agency business processes, as well as related reporting requirements. Both agencies recognize and will comply with the laws, regulations, NIST standards, and OMB directives, including those published subsequent to the effective date of this agreement.

Specific security requirements include, but are not limited to, the following:

- At a minimum, data must be protected at the Moderate system certification criticality level according to Federal Information Processing Standards (FIPS) Publication 199, Standards for Security Categorization of Federal Information and Information Systems.
- All systems involved in this match have completed the security authorization process within the last three years, using the required NIST guidance, and have an Authorization to Operate (ATO) with the appropriate signatures.
- Electronic files are encrypted using the FIPS 140-2 standard and, to the extent possible, are interoperable with ED’s personal identity verification logical access control card (PIV LAC) for Government Employees and support contractors authorized to have an HSPD-12 card (HSPD-12 = Homeland Security Presidential Directive #12).
- VA and ED systems reside within a Trusted Internet Connection, per OMB memorandum M-08-05

FISMA requirements apply to all Federal contractors, organizations, or entities that possess or use Federal information, or that operate, use, or have access to Federal information systems on behalf of an agency. VA and ED agree that they are responsible for oversight and compliance of their own contractors and agents. VA and ED each reserve the right to conduct onsite inspections of any contractor or agent in order to monitor compliance with FISMA regulations during the lifetime of this agreement.

Both Parties agree to secure PII received from the other party pursuant to this agreement in accordance with the Federal requirements that apply to the receipt and use of information subject to the Privacy Act and other applicable statutes.

The FISMA requires all agencies to report security incidents to a Federal incident response center. The center (US-CERT) is located within the Department of Homeland

Security. All incidents involving confirmed or suspected breaches of PII must be reported to US-CERT within one hour of discovering the incident.

A. Incident Reporting

Both Parties agree to report incidents in accordance with NIST 800-53, Rev. 4, OCIO 14, Department of Education Handbook for Information Security Incident Response and Reporting Procedures, and VA's VA Handbook 6500.2, Management of Data Breaches Involving Sensitive Personal Information (SPI). Upon detection of an incident related to this agreement, the agency experiencing the incident will promptly notify the other agency's System Security Contact(s) named in this CMA. VA will promptly notify the following FSA groups in the order listed, until a successful notification has been made: Central Processing System Owner's Primary Representative, Central Processing System Information System Security Officer (ISSO) or Central Processing System Alternate ISSO. These contacts are listed in Section XIV.

If the Party experiencing the incident is unable to speak with the other Party's System Security Contact within one hour or, if for some reason, contacting the System Security Contact is not practicable (e.g., outside of normal business hours), then the following contact information shall be used:

VA:

- VA Cyber Security Operations Center (CSOC) at 855-673-4357 esd@va.gov

ED/FSA:

- ED Security Operations Center (EDSOC); edsoc@ed.gov; (202) 245-6550

If either VA or ED experiences a loss of PII provided by VA or ED under the terms of this CMA, they will also comply with the personally identifiable information (PII) breach reporting and security requirements as required by OMB M-17-12, "Preparing for and Responding to a Breach of Personally Identifiable Information." ED and VA also agree to notify the security contact(s) named in this CMA as soon as possible, but no later than one hour, after the discovery of a breach involving PII. The agency that experienced the incident will be responsible for following its established procedures, including notifying the proper organizations (e.g., United States Computer Emergency Readiness Team (US-CERT), the ISSOs and other contacts listed in this document), conducting a breach and risk analysis, and making a determination of the need for notice and/or remediation to individuals affected by the breach. If the agency's analysis indicates that an individual notice or remediation or both is appropriate, the agency that experienced the incident will be responsible for providing such notice or remediation or both without cost to the other agency.

B. Application of Policies and Procedures

VA and ED will adopt policies and procedures to ensure that information contained in their respective records or obtained from each other is used solely as provided in this agreement. VA and ED agree to comply with these guidelines and any subsequent revisions.

C. Onsite Inspection

Each agency participating in this agreement reserves the right to monitor compliance with FISMA and OMB M-17-12 requirements and to make onsite inspections for purposes of auditing compliance, if necessary, during the lifetime of this agreement or during any extension of this agreement.

D. Application of Policy and Procedures

VA and ED will adopt policies and procedures to ensure that each agency uses the information contained in their respective records or obtained from each other solely as provided in this CMA. VA and ED will comply with these guidelines and any subsequent revisions.

IX. RECORDS TRANSMISSION SCHEDULING

ED's contractor will send to the VA a file each workday (Monday through Friday). Transmission of the file to VA should be completed by 3:00 a.m. Central Time (CT) daily. VA personnel will be notified if the transmission of the file will be delayed and will be given an approximate transmission time.

VA will process the file and return the data to ED as soon as possible, but no later than 4:00 p.m. CT the same workday.

Because Federal holidays may not always coincide with the non-Federal holidays of the ED contractor, the ED contractor will not submit a file of records for processing on Federal or non-Federal contractor holidays. The records for those days will be combined with the records for the following day's processing. The contractor holiday schedule will be provided to VA prior to the beginning of the calendar year.

The ED contractor will contact VA immediately if the transmission of the file to VA is delayed for any reason. Contact names and job titles of people at the VA processing center who are knowledgeable with the VA and ED data match will be supplied to ED and kept current (see Section XIV, VA Contacts). If VA does not receive the file by 8:00 a.m. CT, VA will not be responsible for processing the file by the 4:00 p.m. CT cut off the same day. VA will contact ED immediately if the processing of the file is delayed for any reason. Contact names and job titles of people at the ED's processing center who are knowledgeable with the VA and ED data match will be supplied to VA and kept current (see Section XIV, ED Contacts). This will ensure 24-hour-per-day coverage in case problems with the data transfer occur.

X. RECORDS USE, DUPLICATION AND REDISCLOSURE RESTRICTIONS

ED and VA agree that any information that ED receives from VA or VA receives from ED pursuant to this CMA will only be used, as necessary, to verify the compliance statements of applicants for benefits under the Title IV, HEA Programs. The information may also be re-disclosed to support investigations or prosecutions based on fraudulent applications, which may arise in this connection, and may also be re-disclosed as required by law.

XI. RECORDS ACCURACY ASSESSMENT

The personal identification data contained in the system of records being used in this matching program (Social Security number, name, and date of birth) is provided to ED by applicants for Title IV, HEA Program assistance and, therefore, a high degree of accuracy in the information is achieved. Because identifier information in ED's Federal Student Aid Application File is derived from information personally reported by the applicant, it is estimated that the identifier information is at least 95 percent accurate. VA estimates, based on previous matching experience, that the accuracy of data matched within their systems to be at least 99 percent accurate.

ED and VA have reviewed the records subject to this CMA, and they conclude that the records are being maintained to a standard of accuracy that will reasonably assure fairness in any eligibility determination made on the basis of this record.

XII. COMPTROLLER GENERAL ACCESS

The U.S. Government Accountability Office (Comptroller General) may have access to all ED and VA records as necessary in order to verify compliance with this CMA.

XIII. DURATION OF THE AGREEMENT

A. Effective Date:

The life of this CMA is estimated to cover the 18-month period from January 2, 2019, through July 1, 2020. However, the effective date of this CMA and the date when the match may begin shall be whichever date is the latest of the following three dates: (1) January 2, 2019; (2) at the expiration of the 30-day public comment period following ED's publication of notice of this matching program in the *Federal Register*, assuming that ED receives no public comments or receives public comments but makes no changes to the Matching Notice as a result of the public comments, or 30 days from the date on which ED publishes a Revised Matching Notice in the *Federal Register*, assuming that ED receives public comments and revises the Matching Notice as a result of public comments; or (3) at the expiration of the 60-day period following ED's transmittal of a report concerning the matching program to OMB and to the appropriate Congressional Committees, along with a copy of this agreement, unless OMB waives any of this 60-day review period for compelling reasons, in which case, 60 days minus the number of days waived by OMB from the date of ED's transmittal of the report of the matching program.

B. Duration:

This CMA will be in effect for an initial period of 18 months.

C. Renewal:

Pursuant to 5 U.S.C. 552a(o)(2)(D) the Data Integrity Boards (DIB) of ED and VA may, within three months prior to the expiration of this agreement, renew this agreement for a period not to exceed 12 months if:

1. The matching program will be conducted without change; and
2. ED and VA certify to their DIBs that they have conducted the matching program in compliance with the original agreement.

D. Modification:

The parties may modify this CMA at any time by a written modification, agreed to by both parties and approved by the DIB of each agency.

E. Termination:

If either party does not want to continue this program, it must notify the other party of its intention not to continue at least 90 days before the end of the then-current period. The parties may terminate this CMA at any time with the consent of both parties. Either party may unilaterally terminate this CMA upon written notice to the other party, in which case the termination will be effective 90 days after the date of the notice, or later if so specified in the notice. In no event, however, may the termination of the CMA allow the CMA to extend beyond the time periods listed in paragraphs B and C, above.

XIV. PERSONS TO CONTACT

ED Contact:

Business Contact

Marya Dennis, Management and Program Analyst
Application Processing
U.S. Department of Education
Federal Student Aid, Customer Experience
830 First Street, NE
UCP-63G2
Washington, DC 20202-5454
Telephone: (202) 377-3385
Fax: (202) 275-0492

E-mail: Marya.Dennis@ed.gov

VA Contacts:

Computer and Systems Security Issues

Amy Gallagher

Information System Security Officer (ISSO)

District 2, Southern Territory

Service Operations – Enterprise Security Operations

Office of Information and Technology, IT Operations and Services

Telephone: (727) 319-5992

E-mail: Amy.Gallagher@va.gov

Business Contact

Eric Robinson

Lead Program Analyst

Compensation Service

Department of Veterans Affairs

810 Vermont Ave, NW

Washington, DC 20420

Telephone: (202) 443-6016

Fax: (202) 275-5661

E-mail: Eric.Robinson3@va.gov

XV. SIGNATURES

1. U.S. Department of Veterans Affairs

The undersigned is an official of VA and is authorized to represent his/her Agency for purposes of this CMA.

BETH A.

Digitally signed by BETH A. MURPHY 302388

~~MIIRPHY 302388~~

Date: 2018.09.23 14:23:34 -04'00'

Beth Murphy, Director
Compensation Service
Veterans Benefits Administration

_____ Date

Cheryl J Rawls
195502

Digitally signed by Cheryl J Rawls 195502
Date: 2018.09.24 16:21:32 -04'00'

Cheryl Rawls, Director
Pension & Fiduciary Service
Veterans Benefits Administration

_____ Date

2. U.S. Department of Veterans Affairs, Data Integrity Board Review/Approval

This matching program is limited to identification. There is a high degree of confidence that the information provided by both agencies is accurate. Because of this high degree of confidence and the applicant’s ability to contest an eligibility determination by document production or statement from a VA regional office, the VA DIB hereby grants a waiver of the independent verification requirement. The ED and VA DIBs will review and approve this CMA prior to the implementation of this matching program. Disapproval by the DIB may be appealed in accordance with the provisions of the Privacy Act.

As chairperson of the DIB, I hereby certify Board approval of this CMA between ED and VA.

LaShaunne G. david
567193

Digitally signed by LaShaunne G . david 567193
Date: 2018.10.30 12:35:55 -04'00'

Camilo J. Sandoval
Chair, Data Integrity Board
U.S. Department of Veterans Affairs

_____ Date

3. U.S. Department of Education

The undersigned is an official of ED and is authorized to represent his/her Agency for purposes of this CMA.

James F. Manning
Acting Chief Operating Officer
Federal Student Aid
U.S. Department of Education

Date

4. U.S. Department of Education, Data Integrity Board Review/Approval

This matching program is limited to identification. There is a high degree of confidence that the information provided by both agencies is accurate. Because of this high degree of confidence and the applicant's ability to contest an eligibility determination by document production or statement from a VA regional office, the ED DIB hereby grants a waiver of the independent verification requirement. The ED and VA DIBs will review and approve this CMA prior to the implementation of this matching program. Disapproval by the DIB may be appealed in accordance with the provisions of the Privacy Act.

As chairperson of the DIB, I hereby certify Board approval of this CMA between ED and VA.

Angela Arrington
Senior Agency Official for Privacy
Chair, Data Integrity Board
U.S. Department of Education

Date

**2016-2017 Cost - Benefit Analysis
for the Computer Data Match Between
the U.S. Department of Education
and
the U.S. Department of Veterans Affairs**

Background:

The U.S. Department of Education (ED) confirms veteran status claims made by students on the Free Application for Federal Student Aid (FAFSA) through a data match with the U.S. Department of Veterans Affairs (VA). Status as a veteran automatically qualifies an applicant as an independent student, which could result in initial or increased eligibility for aid under Title IV of the Higher Education Act of 1965, as amended (HEA), for which the applicant would otherwise not qualify. To determine the number of applicants who lose eligibility for aid because of the VA match process, ED evaluated the results of the match process for the 18-month period of the 2016-2017 processing cycle and found that 2,286 individuals lost their eligibility for Pell Grants based on losing their independent veteran status.

I. U.S. Department of Veterans Affairs Costs

The following are the annual VA costs associated with the applicant record match as calculated by ED.

- Computer system processing costs for the 18-month processing cycle: \$27.51 per month x 18 months = \$495.18.
- Administrative staff cost based on the salary of a GS-13, step 5, DC region, for 5 staff hours: \$50.04 x 5 = \$250.20.
- Total VA system Cost (rounded) = \$745.

II. U.S. Department of Education Costs

ED incurs costs from ED's Central Processing System (CPS) contractor to process the match records (creating the match files and receiving the results of the match from VA) and, to administer the match.

a. Central Processing System Cost

For the 18-month 2016-2017 processing cycle, the CPS processed 18,741,055 applications. The processing contractor already performs considerable activities in the normal processing of applications, and the addition of the requirement to send to and receive records from VA for the match is a relatively small incremental cost to the overall per unit processing cost. Applicant records are passed through a series of edits that checks the FAFSA question "Are you a veteran

of the U.S. Armed Forces.” ED’s total incremental cost of processing original application records for the VA match is \$187,411.

2016-2017 Application Records	18,741,055
VA processing cost	<u>x \$.01</u>
Total cost of processing original records	\$187,411

b. ED Staff Cost

ED staff is involved in monitoring the match and evaluating its effectiveness. Several employees are involved, none on a full-time basis. For the purpose of this analysis, they are averaged into the level of effort required by one full-time employee at a GS-13, step-5 level, which equates to \$104,433 annually for 2016 and \$107,435 annually for 2017 (Office of Personnel Management GS Schedule for Washington-Baltimore area). The level of effort required for the VA match is estimated to be approximately one-quarter person to perform the duties of the match. The staff time level of effort of ED administrative cost calculated for 18 months, January 1, 2016 through June 30, 2017 is \$39,537 (($\$104,433 \times .25 = \$26,108$) + ($\$107,435 \div 2 \times .25 = 13,429$)). This salary level of effort is then increased by 28% to account for fringe benefits and overhead costs ($\$39,537 \times 1.28 = \$50,607$).

c. Total ED Match Costs

Total costs to ED are the sum of processing costs for the Title IV, HEA Program assistance application processor and the cost of ED staff:

Title IV Application Processor	\$187,411
ED Staff Time	<u>+\$50,607</u>
Total	\$238,018

III. Total VA and ED Match Costs

Total of U.S. Department of Veterans Affairs’ cost and U.S. Department of Education’s cost is \$255,434.

VA Total Cost	\$745
ED Total Cost	<u>+\$238,018</u>
Total	\$238,763

IV. Benefit Savings

This matching program will enable ED to prevent improper payments to those applicants who incorrectly qualify as independent based on a false claim of veteran status, and who would otherwise receive the benefits administered under Title IV of the HEA. The data obtained from ED’s Office of Inspector General audit report, information from ED’s Title IV, HEA Program application processing system, and the 2016-17 National Postsecondary Student Aid Study

(NPSAS 2016-17) formed the basis of this benefit estimate. The NPSAS 2016-2017 was used because it is the most recent version available at this time.

To determine the benefit savings from the VA computer match the following steps were performed:

Step 1 – Total Title IV student application records processed in the 2016-2017 award year equals 18,741,055;

Step 2 – The number of records sent to the Department of Veterans Affairs equals 53,141;

Step 3 – Estimated number of Title IV applicants claiming veteran status who would be denied Title IV aid as a result of the ED/VA match equals 2,286; and

Step 4 – Estimated Federal Pell Grant per recipient equals \$1,593 for independent veterans under 24 with no dependents (those with no clear basis for independent status outside of the VA match) including those who receive no grant ; and

Step 5 – Estimated Federal Pell Grant savings as a result of VA computer match equals $\$1,593 \times 2,286 = \$3,641,598$.

In addition to savings within the Federal Pell Grant program, some savings are potentially available within the Federal student loan programs. Given subsidy rates for the Direct Loan program that make subsidized loans more expensive for the government, the government would likely benefit from a shift in volume from subsidized loans to unsubsidized loans if borrowers who lose independent status with no VA match have reduced subsidized loan eligibility when evaluated as a dependent and receive additional unsubsidized loans. The potential savings in the Direct Loan program are subject to borrower choice about accepting loans and other factors and have not been quantified for this analysis.

V. Cost/Benefit Ratio

The ratio of the total cost to total benefits is the sum of measurable costs divided by the sum of measurable benefits:

Total Cost	\$238,763
Total Benefits	\$3,641,598
Cost to Benefit Ratio	0.0656