United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Education and the Workforce, House of Representatives

September 1998

STUDENT FINANCIAL AID

Schools' Experiences Using the National Student Loan Data System

GAO/HEHS-98-192

GAO

United States
General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

B-280409

September 24, 1998

The Honorable Pete Hoekstra
Chairman, Subcommittee on Oversight
and Investigations
Committee on Education and the Workforce
House of Representatives

Dear Mr. Chairman:

The Department of Education provides loans and grants to students to help finance their postsecondary education. The Department reported that during fiscal year 1997, $43.3 billion in student financial aid was awarded to 8.1 million recipients. Concerns over unreliable data in the Department's student loan database as well as its ability to effectively manage its student loan programs led the Congress in 1986 to authorize the Secretary of Education to develop a national student loan database. Recognizing the complex nature of its multiple loan and grant programs and the need for good data to ensure program funds are awarded appropriately and loans are repaid promptly, the Department responded by developing the National Student Loan Data System (NSLDS).

NSLDS has three main goals: (1) improve the quality and accessibility of student financial aid data, (2) reduce the burden of administering the Department's student financial aid programs, and (3) minimize fraud and abuse in these programs. The Department intended for NSLDS to be used by schools, lenders, third-party servicers, and guaranty agencies[1] to help determine student eligibility for aid, identify the status of borrowers' loans, update student information, and serve as an overall financial aid history file on program participants. As of February 1997, the Department requires all schools to use NSLDS to report, confirm, and update enrollment dates and status of borrowers—key information in determining student eligibility for federal aid.

The need for improved controls in the Department's student financial aid systems is well documented. In 1995, we reported and testified that the Department had, in general, ineffectively used available student financial

[1]Guaranty agencies are state-designated agencies that guarantee Federal Family Education Loan Program (FFELP) loans against default. Guaranty agencies are intermediaries between the Department and lenders, insuring student loans made by lenders and making certain that the lenders and schools meet program requirements.

aid data to enforce compliance with federal requirements.[2] For example, Department data indicated that approximately 43,500 ineligible students had received more than 58,000 loans, totaling over $138 million. Furthermore, according to data in both the loan and grant systems, more than 101,000 students who had loans and subsequently became ineligible for additional aid may have received more than 139,000 Pell grants totaling approximately $200 million.[3] In July 1997, we found that several schools we visited chose to use paper transcripts to obtain student financial aid histories because they considered NSLDS' electronic data unreliable.[4] In addition, the Department could not obtain complete, accurate, and reliable FFELP data necessary for reporting on its financial position.

As a result of continuing concerns about the Department's ability to improve the reliability and efficiency of student financial aid information and delivery systems and school officials' concerns about unreliable electronic data, you asked that we report on schools' use of NSLDS. Specifically, you requested that we (1) determine the extent to and purposes for which schools are using NSLDS; (2) identify any problems these schools are having and the benefits they are getting from using the system; (3) determine why some schools are not using NSLDS; and (4) describe the extent to which the Department is taking or plans to take steps to ensure that schools are fully using NSLDS.

To respond to your request, we surveyed a random sample of 600 of the nearly 6,200 postsecondary schools that participated in federal student financial aid programs as of August 1997 on their use of NSLDS. (For school responses to our survey, see app. I.) We defined use of NSLDS as accessing its on-line or batch processing functions to perform specific tasks.[5] To focus on school personnel's direct use of these functional capabilities, we instructed survey respondents not to consider their use of student eligibility information reports generated from the NSLDS database and sent by the Department as accessing NSLDS. Similarly, if schools only used the

[2]Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/HEHS-95-89, July 11, 1995) and Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/T-HEHS-95-199, July 12, 1995).

[3]Pell grants, authorized by the Higher Education Act of 1965, as amended (HEA), are awarded to eligible students based in part on their financial need and cost of attendance.

[4]Student Financial Aid Information: Systems Architecture Needed to Improve Programs' Efficiency (GAO/AIMD-97-122, July 29, 1997).

[5]Schools can access NSLDS through store-and-forward (batch processing) or on-line. Batch processing allows the school to electronically send to and receive from NSLDS large data, or "batch," files through an electronic mailbox on the Department's title IV wide area network. The Department uses batch processing to send files, reports, and transcripts to schools. Schools can also obtain on-line access through their computers to update or request information, such as that found on a student's financial aid transcript.

National Student Loan Clearinghouse to process Student Status Confirmation Reports (SSCR)[6] and did not use any of the system's other functional capabilities, we did not consider those schools to be NSLDS users. We asked schools to have the person or persons on their staff who are the most knowledgeable in using NSLDS to complete the survey instrument and obtain any needed input from servicers.

In developing and pretesting our survey instrument, we met with officials from the Department of Education, the contractor responsible for developing and maintaining NSLDS, and representatives from the higher education community. The survey instrument was administered in November 1997; with an 83-percent response rate, our survey results represent the universe of schools. We did not verify data provided by the schools; however, we did examine responses for extreme values and inconsistencies. The results we report are based on experiences reported by schools and reflect the self-assessments of the officials who completed the survey instrument. We did not make judgments about the importance of the tasks or interpret or draw conclusions about the significance of these results or their implications for NSLDS' implementation. We conducted our review and analyses between May 1997 and July 1998 in accordance with generally accepted government auditing standards. (For a more detailed discussion of our scope and methodology, see app. II.)

Results in Brief

Postsecondary schools participating in federal student financial aid programs are making limited use of NSLDS' on-line and batch processing functions. We estimate that almost half of the schools are not using these system capabilities at all—3 years after they first became available. Those that are using these functions are not routinely using them for many of the tasks they are capable of performing. The one use made by the majority of schools is to provide and update SSCR information, which the Department now requires all schools to perform. We estimate that more than half of the schools rarely or never performed 7 of the 10 tasks that we identified for our survey using NSLDS' on-line and batch processing functions.

In general, schools' experiences using NSLDS have been relatively problem free; however, some schools did experience problems with some aspects of the system. For example, almost one-fourth had a problem using NSLDS to correct or update SSCR information, such as enrollment dates and

[6]SSCR is the primary means of verifying borrowers' loan privileges and determining the federal government's monetary obligations. Schools enter SSCR data either directly through NSLDS or through the National Student Loan Clearinghouse—a third-party servicer established by guaranty agencies and lenders to simplify the SSCR process—which submits information to NSLDS.

borrower status. Similarly, while most schools rarely or never encountered data inaccuracies, 7 to 29 percent of schools found occasional inaccuracies in several data fields, such as Social Security number, last name, and date of birth, which are critical for properly identifying students.

Schools using NSLDS' on-line and batch processing functions had mixed views on whether they led to improvements in their program administration. For example, half or more of the schools believed NSLDS has improved the availability of student aid data (61 percent), made student data easier to access (59 percent), and reduced the amount of paper handled in administering student financial aid programs (50 percent). On the other hand, less than half believed NSLDS reduced the time required for student financial aid administration (31 percent) or reduced necessary staff (15 percent).

Schools that did not use NSLDS' on-line and batch processing functions cited a variety of reasons for not doing so. The most frequent reasons cited by these schools included relying on alternative methods to obtain or submit data needed to administer student aid programs—such as relying on the Clearinghouse to update the enrollment status of their borrowers—and facing resource or staff skill limitations, such as a lack of training. Of the schools that did not use the system's on-line and batch processing functions, many did not have plans to obtain access to NSLDS, had plans to obtain access to the system but did not know when, or were unsure when they would obtain access to the system in the future.

In an effort to increase schools' use of NSLDS, the Department has provided training assistance to schools and has worked to ensure the accuracy of the system's data. The Department recently expanded its NSLDS customer service center and will offer NSLDS training to users at its 11 regional training centers. In addition, to demonstrate its commitment to improving the reliability of data on its postsecondary education programs, the Department has addressed the issue of data integrity in its long-range strategic and annual performance plans prepared in response to the Government Performance and Results Act of 1993. As part of this commitment, the Department has initiated efforts to identify and correct inaccurate data in NSLDS, such as identifying and eliminating duplicate loan records, and to strengthen its working relationships with other data providers, such as guaranty agencies.

Background

The Department of Education administers four major student financial aid programs under title IV of HEA: FFELP, the William D. Ford Direct Loan Program (FDLP), the Federal Pell Grant Program, and the Federal Campus-Based Programs.[7] These programs together will make available an estimated $47 billion to about 8 million individuals during the 1998-99 academic year—about 80 percent of it in student loans.

Schools are responsible for obtaining and evaluating the financial aid history of students to ensure that students are eligible for aid. During our review, we identified 10 tasks inherent to administering federal student aid programs through NSLDS or other methods. These tasks are related to four general processes and functions operational at the time of our survey that the Department made available to schools through NSLDS to help them administer the student financial aid programs more effectively. (See table 1.)

[7]The Federal Campus-Based Programs—so named because each school is allocated funds for the award year based on the anticipated financial need of its student body—are (1) the Federal Work-Study Program, (2) the Federal Perkins Loan Program, and (3) the Federal Supplemental Educational Opportunity Grant (SEOG) Program.

Table 1: Relationship Among NSLDS' 4 Processes and Functions and 10 Tasks Inherent to Administering Federal Student Aid Programs

	Processes and functions			
Tasks	**Prescreen for eligibility**	**Track borrowers**	**Update SSCRs**	**Obtain financial aid transcripts[a]**
Determine student's enrollment status	X	X	X	X
Determine if student reached aid limits (annual, cumulative, or both)	X			X
Determine if student has prior loan defaults	X	X		X
Provide or update Perkins loan data[b]	X			
Provide or update SSCR data[c]			X	
Locate student borrowers to resolve problems		X		X
Identify loan status (or obtain information about individual loans)	X	X		X
Identify lenders, third-party servicers, and guaranty agencies	X	X		X
Obtain financial aid transcripts (for students who have attended other schools)	X			X
Correct or update student information			X	

[a]Financial aid transcripts summarize all previous student financial aid a student has received. They are reviewed by school financial aid administrators to determine, for example, the student's current level of aid or identify any information that would prevent awarding aid to an enrolled or enrolling student.

[b]The Federal Perkins Loan Program, one of three campus-based programs, provides low-interest, long-term loans made through institutional financial aid offices to help needy undergraduate and graduate students pay postsecondary educational costs.

[c]Enrollment status reporting is critical for effectively administering student financial aid loans because a borrower's enrollment date and status determine his or her repayment date, deferment privileges, and grace periods, as well as the government's payment of interest subsidies.

Once the school determines that a student is eligible, financial aid funds are disbursed to the student according to program requirements.

To support—as well as monitor—these student loan programs, the Department has developed a number of automated processing systems, including NSLDS. The budget for these systems is expected to be about $378 million for fiscal year 1999. (See app. III for descriptions of the major student financial aid systems.) Prior to NSLDS, the Department relied on a system—commonly referred to as the guaranty agency tape dump—to collect selected information from guaranty agencies on each federal student loan. The tape dump, developed in the late 1970s, was initially

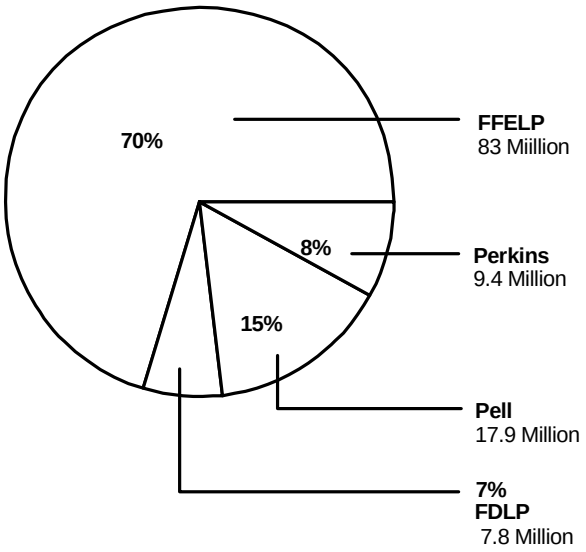
intended to be used by the Department primarily as an annual source of data for analysis of program trends. According to the Department, it did not expect that every guaranty agency would have historically collected all the data requested because each agency's system was designed to meet the needs of that individual guaranty agency. The tape dump, according to the Department, was not designed to be used, for example, to prevent awarding loans to ineligible borrowers.

Under 1986 HEA amendments, the Secretary of Education was authorized to replace the tape dump and develop a computer system that would make national student loan data accessible to guaranty agencies; however, the Department could not require guaranty agencies to use the database before approving new loans. As a result, planning for the development of the new NSLDS was delayed for several years, when the Department was allowed, under the Omnibus Budget Reconciliation Act of 1989, to require guaranty agencies to use the system in determining student eligibility.

The scope of the database expanded when 1992 HEA amendments required the Department to integrate a national student loan database with other financial aid data systems. The 1992 amendments also stated that the Secretary of Education, in establishing a national database, should give priority to providing information on student enrollment and status, current loan holders, and servicers. In response to these legislative mandates, in January 1993, the Department awarded a 5-year, $39 million contract to develop and maintain NSLDS. As of March 1998, the costs for developing, implementing, and maintaining the system have totaled $96.5 million.

According to the Department, NSLDS contained about 118 million loan and grant records as of February 1998. These records were provided by guaranty agencies for the FFELP loans they guaranteed, by the contractor that services FDLP loans for the Department, and by schools for Pell grants and campus-based aid they awarded. As figure 1 illustrates, a significant portion of data stored in NSLDS—about 70 percent—related to FFELP loans as of March 1998.

Figure 1: Approximate Number and Percentage of Loan and Grant Records in NSLDS, by Student Aid Program, as of March 1998



Source: Department of Education.

The Department's student financial aid data systems have suffered from data quality problems. For example, in 1996, the Department's Office of Inspector General (OIG) found in its review of the September 30, 1992, tape dump that the number of FFELP loans in repayment was overstated by approximately 5.9 million loans.[8] OIG also found that a significant number of loans that were incorrectly recorded in the tape dump remained incorrect in NSLDS, affecting the reliability of the new system. As we reported in 1997, poor quality and unreliable FFELP loan data remain in the Department's systems, and inaccurate loan data were being entered into NSLDS.[9] As a result, the Department cannot obtain complete, accurate, and reliable FFELP data, which, according to its OIG, hinders the Department's effort to monitor borrowers and properly award aid to those who are eligible. The Department acknowledges that its student financial aid data

[8]Office of Inspector General, The Department Should Continue Its Efforts to Improve the Accuracy of Its Student Loan Database, ACN-A09-38058 (San Francisco, Calif.: Department of Education, June 14, 1996).

[9]High Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

systems have suffered from data quality problems and has initiated a number of actions to address data accuracy and integrity issues.

Regardless of its weaknesses, NSLDS is the most comprehensive departmental database on federal student loans that schools, lenders, and guaranty agencies can use. The Department has stated that it expected NSLDS to significantly reduce schools' and students' administrative burden of applying for and accounting for financial aid. With the exception of mid-year transfer students, the Department has not required schools to obtain paper financial aid transcripts since the 1996-97 award year. The Department also envisioned that NSLDS would simplify and enhance the process of updating SSCR information for schools. Prior to NSLDS, schools, for their FFELP loans, received SSCR rosters from every guaranty agency that guaranteed their student loans and had to manually verify and resubmit the rosters to the guaranty agencies. In addition, the Department believes that NSLDS has led to considerable improvements in identifying ineligible student aid recipients. It estimates that since the 1994-95 academic year, for example, NSLDS' improved default matching capabilities may have prevented over $1 billion from being awarded to ineligible students.[10]

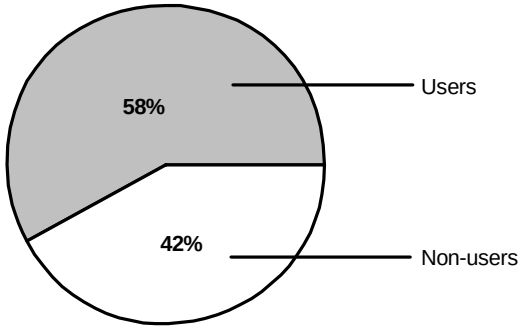
Schools' Use of NSLDS' On-Line and Batch Processing Functions Is Limited

Our survey results indicate that a significant proportion—42 percent—of the schools participating in federal student financial aid programs were not using NSLDS' on-line and batch processing functions, which first became available in November 1994. In addition, of the schools that were using these functions, most were not routinely using them for many of the tasks they were capable of performing.

Based on our survey results, we estimate that 58 percent of the 6,181 schools participating in student financial aid programs used NSLDS' on-line or batch processing functions. (See fig. 2.) Of the schools that were not using these functions, they either had the ability to use it and simply had not done so (19 percent) or did not have the ability to use the system (23 percent).

[10]The Department acknowledges that this estimate is probably high because schools are able to determine that some defaults and Pell grant overpayments identified in the matches have been resolved and some schools have not made proper student eligibility override determinations. We did not verify the data used by the Department to make this estimate.

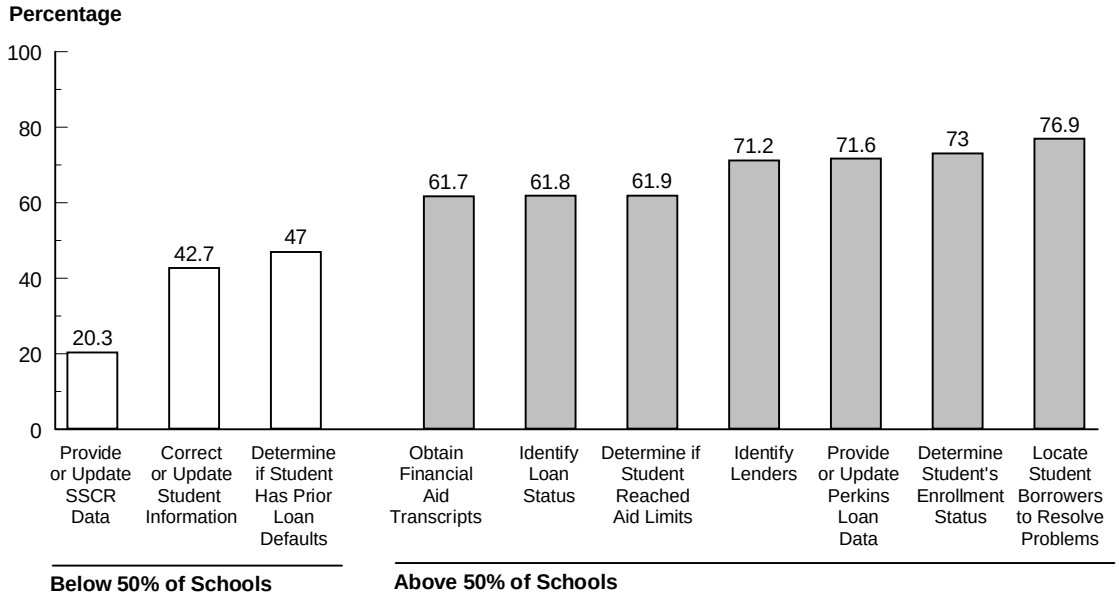
Figure 2: Schools' Use of NSLDS' On-Line and Batch Processing Functions



Source: GAO survey.

When we asked schools about their use of NSLDS to accomplish the 10 tasks we identified as inherent to program administration, we found that schools were not routinely using NSLDS for most of them. As shown in figure 3, more than half of the schools rarely or never performed 7 of the 10 tasks using NSLDS.

Figure 3: Percentage of Schools Using NSLDS' On-Line and Batch Processing Functions "Rarely" or "Never" for 10 Surveyed Tasks



Source: GAO survey.

The only task that a majority of schools routinely used NSLDS to accomplish was providing or updating SSCR information, which since February 1997, the Department has required schools—or third-party servicers on their behalf—to perform on the system. Specifically, our survey data show that 69 percent of the schools always or most of the time use NSLDS for SSCR processing. An additional 11 percent occasionally use NSLDS for SSCR processing, and another 5 percent rarely use the system for this task. Of the remaining schools—those that never use NSLDS for SSCR processing—13 percent process SSCRs through the Clearinghouse or other third-party servicers; the last 2 percent appear not to be meeting the requirement. The schools' next most common uses of NSLDS' on-line and batch processing functions were for correcting or updating student information (33 percent) and determining prior loan defaults (30 percent).

However, 43 and 47 percent of schools responded that they rarely or never use NSLDS for these two tasks, respectively.

The reason schools most frequently gave for rarely or never using NSLDS to perform any of the 10 tasks was that they use the Department's Student Aid Reports (SAR) or Institutional Student Information Records (ISIR).[11] Schools can identify loan status and determine student eligibility from information contained in SAR or ISIR, including prior defaults, types of loans, default dates, and outstanding balances. Other reasons schools often gave are that they used the Clearinghouse for SSCR processing, they did not know how to use NSLDS, and that they had experienced problems using the system.

Schools Encountered Few Problems or Data Inaccuracies Using NSLDS and Are Satisfied With Training and Customer Service

When we asked schools that were using NSLDS' on-line and batch processing functions whether they experienced problems, such as transmitting or receiving data, or whether they encountered inaccuracies in NSLDS data, many reported that they rarely or never experienced problems or encountered inaccuracies in the data fields we specified. Many schools also responded that they are satisfied with the support they received from training and customer service.

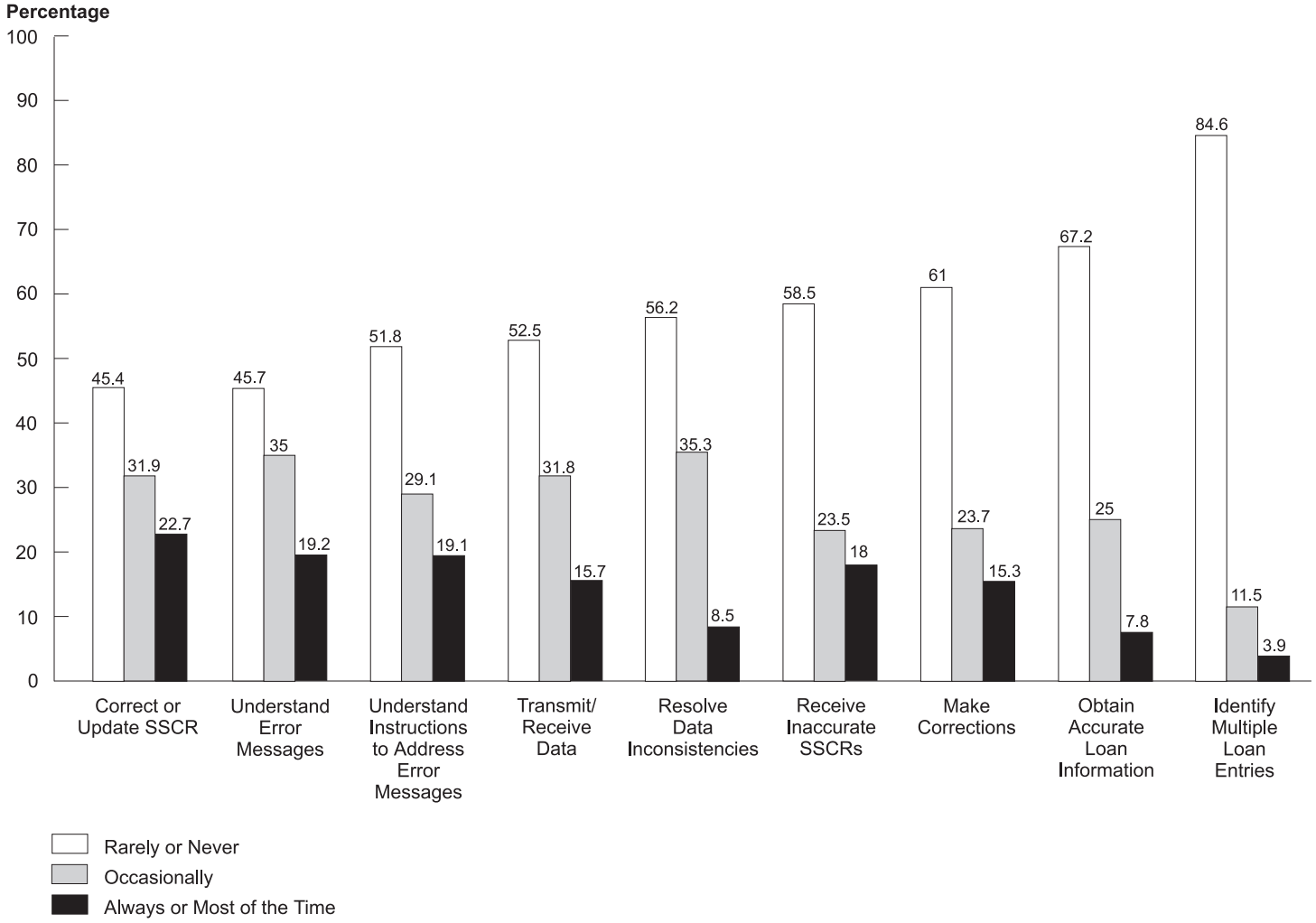
Some schools, however, responded that they experienced problems more frequently with certain functions, including correcting and updating SSCR information or understanding error messages. Some schools said they occasionally found inaccuracies in data fields critical to correctly identifying students—such as Social Security numbers, last names, and date of birth—and other critical data fields, including enrollment status. While school responses indicate that these problems may not be widespread, they suggest that NSLDS does not yet offer the level of data accuracy expected by the Department.

Schools Rarely or Never Experienced Problems With Most Aspects of NSLDS, but Some Problems Did Exist

In general, schools' experiences with most aspects of using NSLDS have been essentially problem free. (See fig. 4.) For example, 85 percent of schools that use NSLDS rarely or never experienced problems identifying multiple entries in the system of the same loans or grants.

[11]ISIRs and SARs contain the same information in different formats. SAR is used to record the family's financial and other information as reported by the student on the application for financial aid. The Department's Central Processing System generates SARs, which are mailed directly to students. The Central Processing System electronically sends ISIRs to the schools students identify on their financial aid applications.

Figure 4: Percentage of Schools Experiencing Problems Using NSLDS



Source: GAO survey.

However, some schools did experience problems with some aspects of the system. For example, about 23 percent always or most of the time had a problem correcting or updating SSCR information, a critical tool for effectively administering student financial aid. As we reported in 1997,

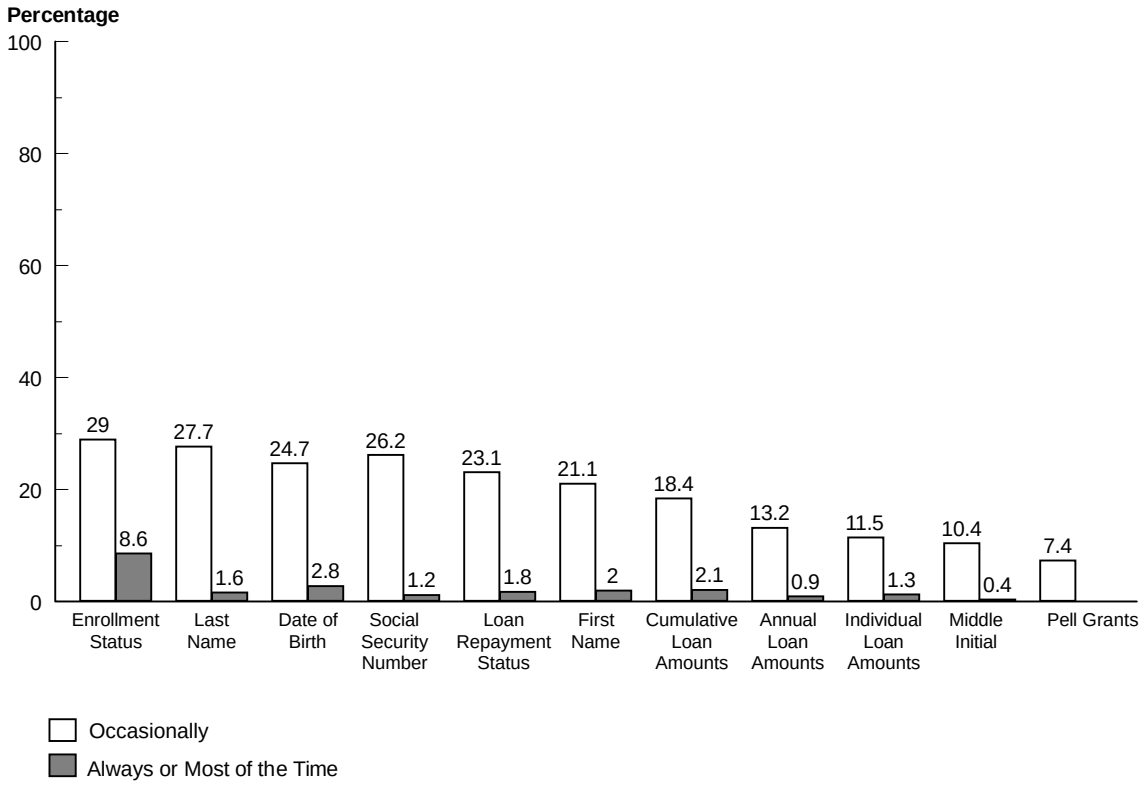
some FDLP student loan borrowers have not started to repay their student loans after they are no longer enrolled in school.[12] Reasons given were schools' failing to report enrollment changes to the Department or the Department's failing to accurately or promptly record the reported enrollment changes. Failure to record a borrower's enrollment changes or status may result in borrowers not promptly repaying their student loans or in the loans becoming delinquent, increasing the likelihood of defaulting.

Although less than 10 percent of the schools found inaccuracies in NSLDS data fields always or most of the time, 7 to 29 percent of the schools occasionally found inaccuracies in these fields. (See fig. 5.) As we reported in 1997, recording a student's correct Social Security number, which the Department considers its common student identifier, is critical for ensuring that aid is awarded to the correct individual and for identifying an individual's data records.[13]

[12]Reporting of Student Loan Enrollment Status (GAO/HEHS-97-44R, Feb. 6, 1997).

[13]GAO/AIMD-97-122, July 29, 1997.

Figure 5: Percentage of Schools Encountering Data Inaccuracies in NSLDS



Source: GAO survey.

NSLDS as well as other Department information systems also use combinations of unique elements—such as a student's date of birth and the first two to three letters of the first or last name—to identify, access, and update a specific student's record. Therefore, the Department's information systems depend on these data fields to be as accurate as possible.

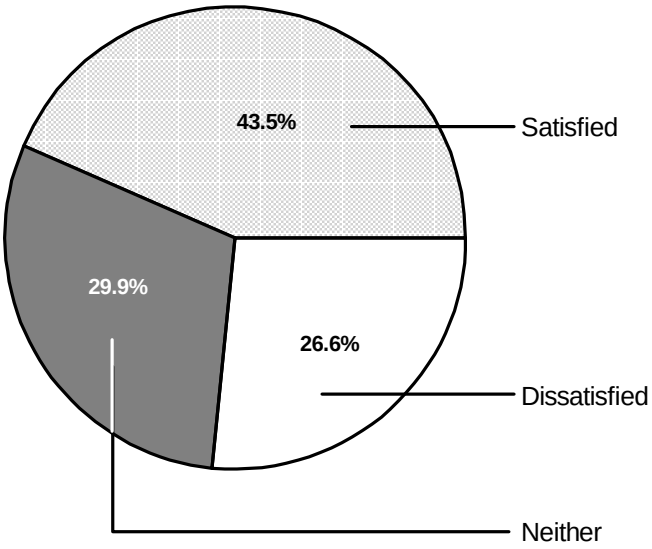
School responses indicate that inaccuracies in the data fields do not appear to be widespread, but they suggest that NSLDS does not yet offer the level of data accuracy expected by the Department. The Department

depends on guaranty agencies, loan servicers, and other entities to provide many of these data and has initiated efforts to address these problems.

Schools That Use NSLDS Are More Satisfied Than Dissatisfied With the Support From Training and Customer Service They Received

In preparing schools for NSLDS' implementation, the Department sent training materials to each school, made training sessions available to them, and established a customer service center to respond to questions and otherwise assist schools. Seventy-nine percent of schools using NSLDS said that they or their servicers received training or training materials from the Department. As figure 6 shows, 44 percent of the schools that received training or training materials were satisfied with the training, about 30 percent were neither satisfied nor dissatisfied, and 27 percent were dissatisfied.

Figure 6: Satisfaction of Schools Using NSLDS With Department-Provided NSLDS Training

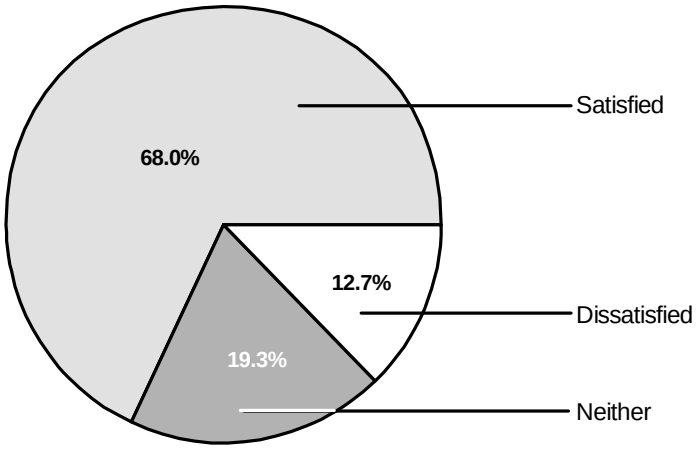


Source: GAO survey.

About 80 percent of schools that use the system responded that they requested assistance or information from the NSLDS Customer Service

Center. As figure 7 shows, more than two-thirds of the schools that received assistance responded that they were satisfied with the assistance provided by the NSLDS Customer Service Center.

Figure 7: Satisfaction of Schools Using NSLDS With the Department's NSLDS Customer Service Assistance



Source: GAO survey.

Schools Had Mixed Views About Whether NSLDS Improved Student Financial Aid Administration

Schools using NSLDS' on-line and batch processing functions had mixed views about whether these capabilities led to improvements in their ability to administer federal student financial aid programs. Although some schools identified several areas where NSLDS had improved their program administration, other schools thought NSLDS did not lead to improvements or make a noticeable difference in other areas. For example, half or more of the schools agreed or strongly agreed that NSLDS had improved the availability of student data, made student data easier to access, and reduced the amount of paper handled in administering financial aid programs. (See table 2.) However, a significant percentage of schools disagreed or strongly disagreed that NSLDS had reduced the staff required to administer student financial aid programs (49 percent) or reduced the time required to administer student financial aid (39 percent).

Table 2: Views of Schools That Used NSLDS on Administrative Benefits of NSLDS

NSLDS benefits	Agree or strongly agree	Neither agree nor disagree	Disagree or strongly disagree
Improved availability of student data	61%	23%	11%
Made student data easier to access	59	22	15
Reduced paperwork	50	23	25
Improved quality of student data	47	31	16
Improved exchange of information with other schools	46	31	17
Improved school's management and oversight of title IV programs	42	34	19
Improved ability to resolve loan problems	36	35	21
Reduced time required for title IV administration	31	27	39
Reduced fraud and abuse at school	30	41	16
Improved ability to resolve grant problems	21	49	19
Reduced staff required for title IV administration	15	33	49

Note: When asked to what extent they agreed or disagreed that NSLDS benefited their school, some schools responded "don't know." We did not include the percentages for this category; therefore, responses may not add up to 100 percent.

Source: GAO survey.

Schools Had a Variety of Reasons for Not Using NSLDS' On-Line and Batch Processing Functions

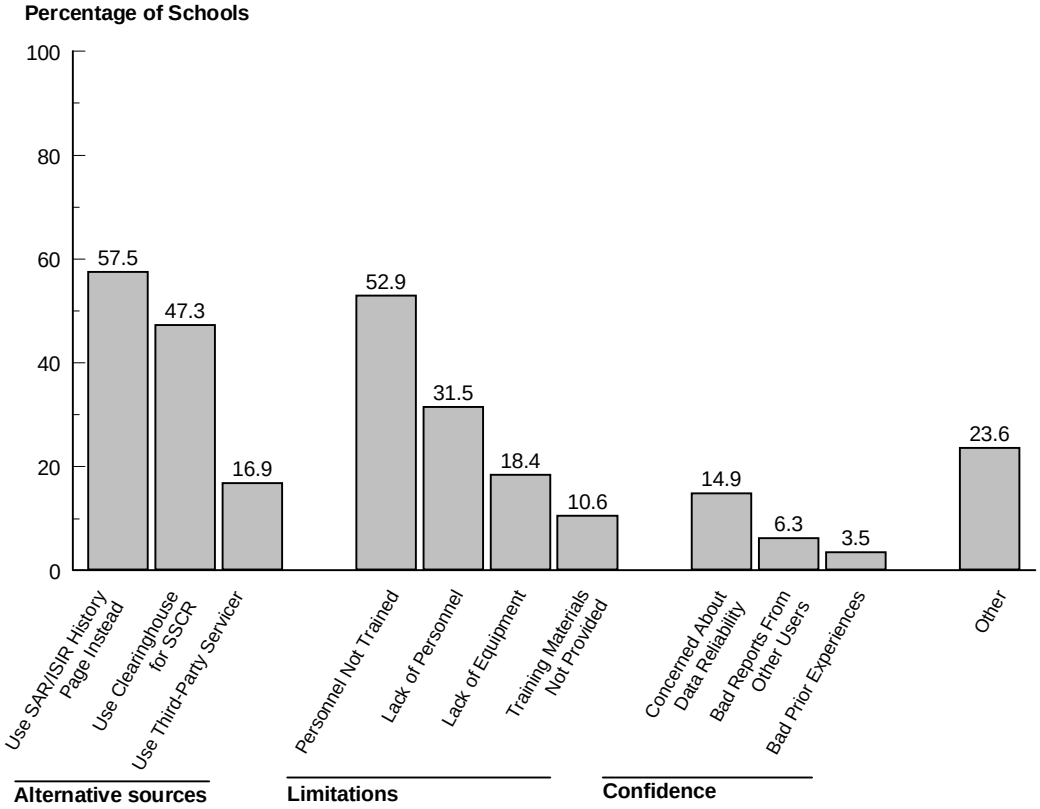
Our survey results suggest that schools have a variety of reasons for not using NSLDS' on-line and batch processing functions. Twenty-three percent of all schools lacked the ability to access the system, and 19 percent of all schools had the ability to do so but did not.

We estimate that—at the time of our survey—more than 1,000 schools lacked the ability to access the system; of these, a number planned to obtain access within 8 months. However, most had no plans to obtain access to NSLDS, had plans to obtain access but did not know when, or were unsure whether they would ever obtain access. Most of these schools were using the Clearinghouse or other third-party servicers to perform

tasks, but several hundred schools appeared not to be accessing NSLDS either directly from their campus or through the Clearinghouse or other third-party servicer. Since these schools did not have plans to obtain access, they may not be meeting a requirement to have on-line access to NSLDS from their campuses as of January 1998.

While the schools that did not use NSLDS' on-line and batch processing functions—either because they chose not to (19 percent) or did not have the ability to (23 percent)—had a variety of reasons for not using or having NSLDS, these reasons generally fell into one of three categories: use of alternative methods, such as the Clearinghouse, for obtaining and processing SSCR information; limitations in resources, personnel, or skills, such as lack of training; and lack of confidence in data reliability. (See fig. 8.)

Figure 8: Reasons Non-Users Said They Did Not Use NSLDS' On-Line and Batch Processing Functions



Note: "Other" reasons include "school will be closing" and "school just applied for access to NSLDS and is awaiting Department approval to use the system."

Source: GAO survey.

The Department Has Taken Steps to Promote Greater School Use of NSLDS

The Department has efforts under way to increase schools' use of NSLDS. While a small percentage of schools have not complied with requirements for SSCR processing and on-line access, the Department recognizes that to encourage schools to use NSLDS beyond these requirements, it must promote the system and ensure the accuracy of the system's data. Therefore, the Department plans to provide additional NSLDS training to users at sites throughout the country and review and correct any

inaccurate data in NSLDS. Although these actions were not developed specifically in response to the concerns schools had cited in our survey, they address many of the issues schools raised.

Actions to Increase Compliance With Requirements for Using NSLDS Are in Place

Schools are required to use NSLDS for SSCR processing. They may do so directly from their campuses or through the Clearinghouse or other third-party servicers. Our survey shows that 5 percent of all schools are not meeting this requirement.[14] The Department has independently identified schools that have not complied with the requirement and taken a number of actions to increase compliance. For example, it has assessed fines ranging from $1,000 to $7,500 against 19 schools.

As of January 1998, schools are also required to have on-line access to NSLDS for their financial aid staff. The Department has estimated that 2 percent of all participating schools have not registered for on-line access. The contractor responsible for operating NSLDS is contacting these schools at the Department's instruction to attempt to get them to register.

Additional NSLDS Training Has Been Scheduled

The Department plans to offer more training to increase participation among those schools that do not access NSLDS. According to Department officials, the Department already offers a variety of training opportunities and has no plans to alter the types of training it offers but will increase the number of training sessions. In February 1998, the Department began offering a series of workshops aimed at helping schools automate their financial aid offices. These workshops include components on using NSLDS.[15] More recently, the Department began offering computer-based training sessions solely on how to use NSLDS. The Department expects that between August and October 1998, it will have offered 39 NSLDS sessions—each accommodating 40 participants—at its 11 regional training centers. If there is demand and sufficient funding, the Department plans to offer more training sessions in spring 1999. For school personnel who cannot travel to a training site, the officials said schools can use a self-paced computer program included with the NSLDS users' manual.

[14]This includes 2 percent of the schools that use NSLDS for purposes other than SSCR reporting and 8 percent of schools that do not use NSLDS at all.

[15]Department officials had expected that by the end of July 1998, the Department would have held workshops at 100 sites around the country, training 7,000 to 8,000 lender, guaranty agency, and school personnel; however, on July 23, the Department announced it had canceled or was canceling more than 20 of these workshops due to low enrollment.

Data Accuracy and Integrity Are Being Addressed

To ensure the overall accuracy of NSLDS data, the Department has initiated "serious and aggressive" data integrity efforts to review and correct any inaccurate or incomplete data, according to Department officials. These efforts include providing detailed technical instructions to data originators and providers (schools, lenders, and guaranty agencies); focusing on correcting inaccurate data; and addressing the issue of data quality in its annual performance plan.

The Department gave the major data providers detailed technical instructions that specify their responsibilities and the data they are required to provide. According to Department officials, data providers must correct data problems as quickly as possible, especially since they are the ones that usually identify the problems. Correcting data problems may require system changes or major data entry and research. The Department provides technical update bulletins on an as-needed basis, training sessions, and on-site technical reviews. Further, the Department tracks whether providers have corrected the data problems and sends monthly management reports to all providers. If a significant problem occurs when two or more data providers have conflicting information each believes is correct, the dispute must be formally adjudicated within the Department.

According to Department officials, to increase both voluntary use of and school satisfaction with NSLDS, schools must have confidence in the system's data. The Department's strategy focuses on increasing the accuracy of loan data as well as strengthening relationships with the financial aid community. For example, the Department's data improvement efforts focus on deleting duplicate loans and loans with a "zero balance" (that is, loans that have been paid in full); identifying loans not in NSLDS that should be; resolving differences between NSLDS and lender databases; and conducting outreach efforts, such as holding regular workshops with other data providers. The Department is now taking these measures to address problems with FFELP and Perkins loan data. Department officials said that problems with FDLP data have been largely corrected.

To further demonstrate its commitment to improving the reliability of data on its financial aid programs, the Department has addressed the issue of data integrity in its long-range strategic and annual performance plans prepared in response to the Government Performance and Results Act of

1993.[16] For example, in its fiscal year 1999 performance plan—its first annual plan—the Department acknowledges that its student financial aid delivery system has suffered from data quality problems that are severe enough to cause it to fail to receive an unqualified audit opinion. In its June 15, 1998, audit report, the Department's OIG reported that, in its opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 1997.[17] However, the reliability of data in NSLDS is still a material internal control weakness. Specifically, the audit report states that the Department's ability to continue to prepare auditable loan estimates for its financial statements depends on establishing a reliable store of up-to-date historical loan data. The audit report notes that because of questionable data in NSLDS, the estimated liability for loan guarantees was based on data received from 10 large guaranty agencies, as opposed to NSLDS.

According to the Department's performance plan, steps are being taken to improve the efficiency and quality of its student aid data. These include

- improving data accuracy by receiving individual student loan data directly from lenders rather than through guaranty agencies and by expanding efforts to verify the data reported to NSLDS and
- preparing a system architecture for the delivery of federal student aid by December 1998 that will help integrate the multiple student aid databases with NSLDS based on student-level data to improve the availability and quality of information on student aid applicants and recipients.

Agency Comments

The Department of Education provided written comments on a draft of this report in a letter from the Assistant Secretary for Postsecondary Education, dated August 14, 1998. Overall, the Department felt that the draft report was not balanced or written fairly and that it did not accurately portray the full extent of schools' use of NSLDS. The comments expressed three specific concerns: (1) inappropriate emphasis placed on negative aspects of the survey results, (2) numerically distorted survey results, and (3) outdated audit report information in the background section that had no relation to the scope of the audit.

[16]The Results Act is the primary legislative framework through which federal agencies are being required to set strategic goals, measure performance, and report on the degree to which their goals were met.

[17]Office of Inspector General, Final Audit Reports: Fiscal Year 1997 Annual Financial Statement, ACN-17-70002 (Washington, D.C.: Department of Education, June 15, 1998).

In addressing the Department's comments, we revised the report, as appropriate, to clarify that our review focused on schools' use of NSLDS' on-line and batch processing functions rather than all school uses of NSLDS. To address the specific concerns about our presentation of survey results, we made other revisions, where appropriate, to better ensure that our results were presented objectively and fairly. However, we continue to focus the reader's attention on those responses that show the extent to which schools were encountering shortcomings in using NSLDS' on-line and batch processing functions. Finally, to address the concern about our use of previous audit reports, we added information on more recent activities, such as the Department's efforts to improve the quality of NSLDS data. However, we retained a discussion of previous audit reports because we believe it is needed to establish the historical context and significance for creating NSLDS.

Department officials discussed these and other concerns and provided other comments in meetings with our staff on July 31 and August 7, 1998. (See app. IV for a discussion of these comments and our responses and a reprint of the Assistant Secretary's August 14, 1998, letter.)

We are sending copies of this report to the Secretary of Education, appropriate congressional committees, and other interested parties. We also will make copies available to others on request.

If you have any questions about this report, please contact me at (202) 512-7104. Major contributors to this report are listed in appendix V.

Sincerely yours,

Carlotta C. Joyner
Director, Education and
Employment Issues

Contents

Letter 1

Appendix I Responses to Questions From GAO Survey on NSLDS Use 28

Appendix II Scope and Methodology 46

Appendix III Major Student Financial Aid Systems 51

Appendix IV Comments From the Department of Education and Our Responses 53

Appendix V GAO Contacts and Staff Acknowledgments 58

Related GAO Products 60

Tables

Table 1: Relationship Among NSLDS' 4 Processes and Functions and 10 Tasks Inherent to Administering Federal Student Aid Programs 6

Table 2: Views of Schools That Used NSLDS on Administrative Benefits of NSLDS 18

Table II.1: Estimated Sampling Errors 49

Figures

Figure 1: Approximate Number and Percentage of Loan and Grant Records in NSLDS, by Student Aid Program, as of March 1998 8
Figure 2: Schools' Use of NSLDS' On-Line and Batch Processing Functions 10
Figure 3: Percentage of Schools Using NSLDS' On-Line and Batch Processing Functions "Rarely" or "Never" for 10 Surveyed Tasks 11
Figure 4: Percentage of Schools Experiencing Problems Using NSLDS 13
Figure 5: Percentage of Schools Encountering Data Inaccuracies in NSLDS 15
Figure 6: Satisfaction of Schools Using NSLDS With Department-Provided NSLDS Training 16
Figure 7: Satisfaction of Schools Using NSLDS With the Department's NSLDS Customer Service Assistance 17
Figure 8: Reasons Non-Users Said They Did Not Use NSLDS' On-Line and Batch Processing Functions 20

Abbreviations

FDLP	William D. Ford Direct Loan Program
FFELP	Federal Family Education Loan Program
HEA	Higher Education Act
ISIR	Institutional Student Information Record
NSLDS	National Student Loan Data System
OIG	Office of Inspector General
PEPS	Postsecondary Education Participants System
SAR	Student Aid Report
SEOG	Supplemental Educational Opportunity Grant
SSCR	Student Status Confirmation Report

Responses to Questions From GAO Survey on NSLDS Use

This appendix contains schools' responses to our survey. All numbers are percentages, except for those in questions 2, 4, 7, 14, 27, 31, and 33. Percentages shown are based on the number of respondents answering each question. Percentages may not always add to 100 percent due to rounding.

United States General Accounting Office
Health, Education, and Human Services Division

Survey of National Student Loan Data System Use Results

November 1997

Important
Please Read

Purpose of Study

This survey is being conducted by the U.S. General Accounting Office (GAO) to provide descriptive information to the Congress on schools' **use** or **nonuse** of the Department of Education's National Student Loan Data System (NSLDS). Using the information schools provide in this survey, we will provide Congress a picture of how and to what extent schools use NSLDS to administer federally funded student financial aid programs. **PLEASE RETURN YOUR COMPLETED SURVEY BY NOVEMBER 28, 1997.**

The information you provide will be used in aggregate form and will not be presented in a manner that would identify the responses of individual schools.

What Do We Mean by Access?

For purposes of this survey, access to NSLDS means that you use one of the following methods to interact with NSLDS:

The "Store and Forward" (Batch) Process
The "store and forward" process lets you send and receive batch files to or from NSLDS through a mailbox on the Title IV Wide Area Network (TIV WAN). This is how NSLDS sends files, reports, and transcripts that you request. Batch access to NSLDS is necessary for transmitting and receiving large data files, such as data provider submissions and SSCR files. You can receive this information through a PC or modem connection, or from your school's mainframe connection to the TIV WAN. To establish batch access to NSLDS, each school must complete a Participation Agreement or have one completed for them.

On-Line Access
On-line access is obtained through your PC. If you have real-time access to NSLDS, what you see is current and any updates or requests that you make are recorded instantaneously. NSLDS has designed on-line, Customer Information Control Screens that meet your functional requirements. To obtain on-line access, users must complete a Letter of Application.

***

TIV WAN users can obtain NSLDS data via direct on-line access or by transmitting batch files to the NSLDS TIV WAN mailbox. GAO is seeking responses on your experiences using either or both of these methods. Further, both of these methods may be direct from your school, through a third-party servicer, or both. However, if you only use the Clearinghouse for SSCR processing and perform no other NSLDS functions at your school or through another third-party servicer, you should not consider your school to have NSLDS access.

How Should Schools with More Than One Campus or Location Respond?

You should base your responses on your experiences only at campuses or locations for which your office administers the Title IV programs. For example, if your office administers the Title IV programs at more than one campus or location, you should base your responses on your experiences at all of these campuses or locations.

Note Regarding the Institutional Student Information Record (ISIR)

The NSLDS Financial Aid History Page of the Institutional Student Information Record (ISIR) contains information from NSLDS. We recognize that many schools rely primarily on the NSLDS Financial Aid History Page of the ISIR. For the purpose of this survey, however, using information from the ISIR is not considered NSLDS access. Our questions regarding "accessing NSLDS" refer only to either batch or on-line access as described above. We do, however, capture reliance on the Financial Aid History Page of the ISIR separately in certain parts of this survey.

1

Instructions/Sample Questions

1. Please **read** each question **carefully** before choosing your response. You may use either a **pen or a pencil.**

2. Some questions ask you to choose a response by **circling the one answer** that applies. For example:

   Did you receive training from some source other than the Department of Education?

   No ..... 1 ☞ Go to question 23.
   Yes ..... (2)

   Sometimes, as in the illustration above, you will be given additional instructions to follow, depending on the answer you choose.

3. A few questions ask you to provide **multiple** answers for each item. For example:

   How often, if ever, do you experience problems with the following and, if you experience these problems, how difficult is it for you to get them resolved? *(Circle ONE answer for how often and, if applicable, ONE answer for difficulty.)*

	How Often?					How Easy/Difficult?				
	Always	Most of the Time	Occasionally	Rarely	Never	Very Easy	Easy	Neither	Difficult	Very Difficult
Transmitting/ receiving data	1	(2)	3	4	5	1	(2)	3	4	5
Understanding error messages	1	2	3	(4)	5	1	2	3	4	(5)

4. A few questions ask you to **fill in a blank.** Simply **write** your answer in the **space provided**. For example,

   When did your school acquire the ability to access NSLDS?

   _____ (month) _____ (year)

5. When you have completed the survey, please place it in the enclosed postage-paid envelope and drop it in any mailbox by **November 28, 1997**. Return it to:

   National Student Loan Data System Survey Team
   HEHS/E&E
   441 G Street, NW
   Washington, DC 20548

   If you have any questions about responding to the survey, please call **GAO's National Student Loan Data Survey Team at (202) 512-4501.**

INSTRUCTIONS

2

Section I *Your School*

1. Circle the **ONE** phrase which best describes your school.

Four-year public **9.2**
Four-year private **20.5**
Two-year public **25.6**
Two-year private **5.1**
Proprietary **27.7**
Other (*specify:* _____) ... **11.8**

2. What was the total (undergraduate and graduate) enrollment at your school for the 1996-97 school year?

4 to 60,666 undergraduate students **6 to 16,006** graduate students

3. Which federal student aid programs does your school administer? *(Circle all that apply.)*

William D. Ford Federal Direct Loan Program (FDLP) **26.3**
Federal Family Education Loan Program (FFELP) **74**
Federal Pell Grant Program **96**
Federal Perkins Loan Program **42.7**
Federal Work-Study Program **67.8**
Federal Supplement Educational Opportunity Grant Program **73.2**
Other federal program(s) (*specify:* _____) ... **9.7**

4. What was the total number of students (undergraduate and graduate) at your school participating in Title IV student aid programs for the 1996-97 school year?

1 to 48,910 undergraduate students **3 to 7,626** graduate students

5. Does your school use the Clearinghouse for Student Status Confirmation Report (SSCR) processing?

Yes **45.4**
No **54.6**

3

6. Does your school have the ability to access NSLDS, either by "batch" processing (store and forward") or "on-line" access? (Access may be direct from your school, through a third-party servicer (other than the Clearinghouse), or both. **If necessary, please re-read the definition of access provided on page 1.**) (*Circle ONE answer.*)

No ..... **22.7** Go to question 32.

Yes, but we **have not** accessed NSLDS either by batch or on-line ..... **19.6** Go to question 31.

Yes, and we **have** accessed NSLDS either by batch or on-line **57.8**

7. When did your school (or servicer on your behalf) get the ability to access NSLDS either by batch or on-line?

5/95 (month) **to** **12/97** (year)

8. Is a third-party servicer (other than the Clearinghouse) authorized to access NSLDS on your behalf? (*Circle ONE answer.*)

Yes, my school's access is entirely through a servicer ..... **15.1** Go to question 10.

Yes, but the school has access as well **15.4**

No **69.5**

9. What type of access does/did **your school** have in the following school years? *(Circle ALL that apply for EACH year.)*

	1996-97	1997-98
No access	**22.6**	**0**
On-line access	**25.3**	**31.4**
Batch (store and forward) processing	**16.6**	**17.9**
Both on-line and batch	**35.5**	**50.7**

10. Does your school use a third-party servicer (other than the Clearinghouse) to perform functions related to the following? *(Circle all that apply.)*

Does not apply. My school does not use a third-party servicer **11.1**

Student Status Confirmation Report (SSCR) **25**

Financial Aid Transcripts (FAT) **13.6**

Perkins Loan Processing **26.5**

Other (*specify:*_____) ... **4.9**

4

Section II *NSLDS Use*

Uses of NSLDS

Reminder: Input from your servicer (if applicable) may be needed to answer these questions.

11. **When your school (or servicer on your behalf) performs the following tasks,** (a) how often do you use NSLDS batch processing or on-line access rather than some other method/source of information and (b) if you use NSLDS, how satisfied are you with NSLDS batch or on-line capabilities in performing this task? *(Circle ONE answer for how often and, if applicable, ONE answer for satisfaction level.)*

	How Often?					How Satisfied/Dissatisfied?				
	Always	Most of the Time	Occasionally	Rarely	Never	Very Satisfied	Satisfied	Neither	Dissatisfied	Very Dissatisfied
A. Determine students' enrollment and/or attendance status at other schools	6.6	4	16.4	22.3	50.7	9.4	38.6	45	4.1	2.9
B. Determine if students have reached annual/ cumulative aid limits	9.5	5.9	22.7	17.6	44.3	6.7	45.6	40	5.6	2.2
C. Determine prior loan defaults	16.8	13.5	22.6	18.2	28.8	13	50.5	27.9	6.3	2.4
D. Provide/update Perkins loan data	13.5	8.5	6.5	6.2	65.4	6.1	32.7	54.4	2	4.8
E. Provide/update Student Status Confirmation Report (SSCR) data to NSLDS	60	8.7	10.9	4.7	15.6	15.3	40.9	20.9	15.7	7.2
F. Locate student borrowers to resolve loan-related problems (e.g., borrower tracking, skip-tracing, etc.)	4.8	4	14.3	16.2	60.7	6.5	34.2	54.2	1.3	3.9
G. Identify status/obtain information about individual loans	6.2	6.2	25.8	19.3	42.5	9.6	46.9	38.4	2.8	2.3
H. Identify lenders, third-party servicers and/or guaranty agencies	5.5	5.1	18.2	21.2	50	6.5	42	45.6	3.6	2.4
I. Obtain Financial Aid Transcripts (FATs) for students who attended other schools	6.5	10.1	21.7	15.5	46.2	8.5	43.4	41.8	4.8	1.6
J. Correct/update student information	24.6	8	24.6	13	29.7	10.5	42.5	32	9.5	5.5

5

12. If you answered "Rarely" or "Never" to any item in question 11 A-J above, what were the reasons your school did not routinely use NSLDS for that (those) task(s)? *(Circle ALL that apply.)*

A. We experienced system difficulties **26.4**

B. We do not know how to use NSLDS **28.2**

C. We use the Student Aid Report (SAR) or the NSLDS history page of the Institutional Student Information Record (ISIR) **83**

D. We have other sources of information that are easier to access. *(Specify source:* _____*)* **21**

E. We have other sources of information that are more accurate or complete *(Specify source:* _____*)* **17.3**

F. The information is not available in NSLDS **6.5**

G. We use the Clearinghouse to provide/update SSCR data to NSLDS **27.2**

H. We did not have the staff needed to use NSLDS. **20.5**

I. We did not have the necessary computer equipment. **4.5**

J. Other reason *(specify:* _____*)* **27.6**

K. Other reason *(specify:* _____*)* **4**

L. Does not apply -- I did not mark "rarely" or "never" **5.5**

13. Are there other tasks not mentioned in Question 11 A-J for which your school uses NSLDS?

Yes **2.6**

No ..... **97.4** Go to question 15.

14. Please list those other tasks. *(If you need additional space, please continue on the comment page 16, Section IV.)*

A. **6 provided a response**

B. **4 provided a response**

C. **2 provided a response**

6

15. Rather than using NSLDS for the following tasks, how often do you . . .

	Always	Most of the Time	Occasionally	Rarely	Never
A. **Request hard copy** financial aid transcripts from other schools	38.5	13.7	27	14.7	6.1
B. **Mail hardcopy** financial aid transcripts to other schools at their request	52.7	14.8	26.4	4.3	1.8

NSLDS Error Resolution and Data Quality

Reminder: Input from your servicer (if applicable) may be needed to answer these questions.

16. How frequently, if ever, did you find inaccuracies in NSLDS data in the 1996-97 and 1997-98 school years? If you did not have access to NSLDS in a particular year, mark "Does Not Apply." *(Circle ONE answer for EACH year.)*

	Always	Most of the Time	Occasionally	Rarely	Never	Does Not Apply
1996-97 school year	.7	10.4	31.7	15.8	9.4	32
1997-98 school year	.4	6.9	37.9	29.2	13.7	11.9

7

17. How often, if ever, do you encounter inaccuracies in NSLDS data for the following; and, if you encounter inaccuracies, how difficult is it to get them resolved? *(Circle ONE answer for how often and, if applicable, ONE answer for difficulty.)*

	How Often?					How Easy/Difficult?				
	Always	Most of the Time	Occasionally	Rarely	Never	Very Easy	Easy	Neither	Difficult	Very Difficult
A. Date of birth	0	2.8	24.7	29.5	43	8.6	20.4	41.4	21	8.6
B. Social Security number	0	1.2	26.3	35.1	37.5	6.4	19.7	37	22.5	14.5
C. Last name	0	1.6	27.7	32	38.7	5.9	23.1	45	18.9	7.1
D. First name	0	2	21.1	25.1	51.8	6.6	20.4	48.7	16.4	7.9
E. Middle initial	0	.4	10.4	25.3	63.9	7.4	19.1	58.1	10.3	5.1
F. Cumulative loan amounts	0	2.1	18.4	28.9	50.6	2.1	17.1	56.4	12.1	12.1
G. Annual loan amounts	0	.9	13.2	27.2	58.7	2.3	16.9	60	12.3	8.5
H. Individual loan amounts	0	1.3	11.5	29.5	57.7	2.2	17.2	59.7	11.9	9
I. Pell grant awards	0	0	7.4	25.1	67.5	3.4	18.6	65.3	10.2	2.5
J. Enrollment status	1.2	7.4	28.9	19.8	42.6	5.1	27.8	44.9	17.7	4.4
K. Loan repayment status (e.g. in repayment, default, etc.)	.4	1.3	23.1	24.9	50.2	4.4	16.8	51.1	13.9	13.9
L. Other (*specify:*_____)	6.5	25.8	29	3.2	35.5	0	7.7	34.6	26.9	30.8
M. Other (*specify:* _____)	0	18.8	6.3	6.3	68.8	0	16.7	50	16.7	16.7
N. Other (*specify:*_____)	0	0	14.3	7.1	78.6	0	20	60	20	0

8

18. How often, if ever, do you experience problems with the following, and, if you experience problems, how difficult is it to get them resolved? *(Circle ONE answer for how often and, if applicable, ONE answer for difficulty.)*

	How Often?						How Easy/Difficult?				
	Always	Most of the Time	Occasionally	Rarely	Never	Does Not Apply	Very Easy	Easy	Neither	Difficult	Very Difficult
A. Transmitting/receiving data	2.6	11.2	27.9	30.1	16	12.3	5.5	39.8	29.4	18.4	7
B. Understanding error messages	4.5	12.4	30.7	24	16.1	12.4	4.6	27	37.8	24.5	6.1
C. Understanding instructions provided to address error messages	5.7	10.2	24.2	26.4	16.6	17	3.8	26.2	39.3	24	6.6
D. Getting corrections/updates made to SSCR rosters	6.8	11.7	26	19.6	17.4	18.5	3.9	25.7	33	22.3	15.1
E. Getting other kinds of corrections made (*specify:*_____)	3.2	5.1	13	16.7	16.7	45.4	2.9	19.2	49	17.3	11.5
F. Receiving inaccurate or incomplete SSCRs	2.7	11.2	18.1	15.8	29.2	23.1	2.8	17.2	52.4	16.6	11
G. Finding loans/grants that appeared to be entered multiple times	.4	2.3	8.1	15.8	43.6	29.7	3.3	13.3	65.8	9.2	8.3
H. Resolving data inconsistencies with other NSLDS data providers (e.g. lenders, guaranty agencies, schools, etc.)	1.5	5	27.2	22.6	20.7	23	3.1	12.9	41.1	28.2	14.7
I. Obtaining accurate loan amount information	1.6	4.3	18.8	23.4	27	25	4.7	17.6	51.4	16.9	9.5

19. Overall, how would you rate the accuracy of information/data in NSLDS? *(Circle ONE answer.)*

Excellent	**9.7**
Good	**54.7**
Fair	**29.2**
Poor	**6.4**

9

NSLDS Training

20. Has someone from your school received training or training materials on NSLDS from the Department of Education? *(Circle ONE answer.)*

Yes **67.5**

No, but my third-party servicer received training/training materials ..... **10.7** Go to question 23.

No ..... **21.8** Go to question 24.

21. What type(s) of training on NSLDS use has your school received **from the Department of Education** and how well did it meet your needs in learning to use the system?

	Training/Training Materials Received?		Met Your Needs?		
	Yes	No	Very Well	Moderately Well	Not Well
Training manuals	**96.7**	**3.3**	**12.1**	**67.1**	**20.8**
Self-paced tutorial	**46.2**	**53.8**	**15.4**	**60**	**24.6**
Workshop(s)	**51.3**	**48.7**	**23.7**	**52.6**	**23.7**
Other *(specify:_____)*	**41.2**	**58.8**	**0**	**71.4**	**28.6**

22. Overall, how satisfied or dissatisfied are you with NSLDS training/training materials received from the Department of Education? *(Circle ONE answer.)*

Very satisfied **4.9**

Satisfied **38.6**

Neither satisfied nor dissatisfied **29.9**

Dissatisfied **22.3**

Very dissatisfied **4.3**

23. Overall, how satisfied or dissatisfied was your third-party servicer (other than the Clearinghouse) with NSLDS training/training materials received from the Department of Education? *(If necessary, please consult with your servicer.) (Circle ONE answer.)*

Does not apply. My third-party servicer did not receive training **14.6**

Does not apply. We do not have a third-party servicer **56.6**

Very satisfied **1.0**

Satisfied **19.7**

Neither satisfied nor dissatisfied **6.1**

Dissatisfied **1.5**

Very dissatisfied ..... **.5**

10

Customer Service

24. Has your school ever requested assistance or information from the NSLDS Customer Service Center (at 800-999-8219)? *(Circle ONE answer.)*

Yes **79.7**

No ..... **20.3** Go to question 29.

25. When you first established NSLDS access at your school, did your **school** request and/or receive assistance from the NSLDS Customer Service Center? *(Circle ONE answer for requested and, if applicable, ONE answer for received.)*

	Yes	No
Requested?	**91.7**	**8.3**
Received?	**89.3**	**10.7**

26. If you received assistance, how satisfied were you generally with the assistance you received? *(Circle ONE.)*

Does not apply; we did not receive assistance **3.8**

Very satisfied **26.2**

Satisfied **44.3**

Neither satisfied nor dissatisfied **13.8**

Dissatisfied **9.5**

Very dissatisfied **2.4**

If you have specific comments you want to make about the assistance you received, write your comments here.

Helpful, courteous, patient	**38.5**	**Time-consuming**	**10.8**
Poor technical assistance	**15.4**	**Charged a fee**	**3.1**
Training issues	**10.8**	**Other**	**21.5**

27. In the past 6 months, about how many times did your school contact NSLDS Customer Service for assistance in using NSLDS? *(If none, write in "0" and go to question 29.)*

0 to 50 times

11

28. How satisfied are you with the assistance **your school** received in terms of helpfulness, timeliness, and overall service? *(Circle ONE answer for helpfulness, ONE answer for timeliness, and ONE answer for overall service.)*

	Helpfulness	Timeliness	Overall
Very satisfied	26.7	18.5	20.8
Satisfied	46.1	51.7	47.2
Neither satisfied nor dissatisfied	16.5	16.1	19.3
Dissatisfied	9.2	9.8	10.7
Very dissatisfied	1.5	3.9	2

General Questions About NSLDS

29. To what extent do you agree or disagree that, **at your school**, NSLDS has . . .? *(Circle one answer for each.)*

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree	Don't Know
A. Improved the availability of student data	14.2	46.5	22.5	6.5	4	6.2
B. Improved the quality of student data	9.1	37.6	30.7	12.4	4	6.2
C. Made student data easier to access	11.7	47.4	22.3	9.9	5.1	3.6
D. Reduced the amount of paper handled	17.4	33	22.8	17	7.6	2.2
E. Reduced time required for Title IV administration	9.5	21.1	27.3	26.5	12.4	3.3
F. Reduced staff required for Title IV administration	4.4	10.9	32.5	32.8	16.1	3.3
G. Reduced fraud and abuse of student aid programs at your school	7.3	22.2	41.1	11.6	4.7	13.1
H. Improved your school's management and oversight of federal student aid programs and aid recipients	5.8	36.4	33.5	14.2	5.1	5.1
I. Improved the exchange of information with other schools	4.4	41.1	30.9	12.7	4.7	6.2
J. Improved your school's ability to assist students in resolving **loan** problems	4	31.5	35.2	15.4	5.9	8.1
K. Improved your school's ability to assist students in resolving **grant** problems	2.9	18.2	49.3	13.1	6.2	10.2

12

30. Do you expect that your school's **voluntary** usage of NSLDS will be more or less in 1997-98 compared with 1996-97? Do not count increases caused by Department of Education mandated uses. *(Circle ONE.)*

Much more in 1997-98 ..... **32.1**

Somewhat more in 1997-98 ..... **35.7**

About the same in 1997-98 and 1996-97 ..... **31.4**

Somewhat more in 1996-97 ..... **.4**

Much more in 1996-97 ..... **.4**

YOU HAVE COMPLETED ALL RELEVANT QUESTIONS.
GO TO SECTION IV, PAGE 16.

13

Section III *NSLDS Nonuse*

31. When did your school acquire the ability to access NSLDS? If you are unsure, write in "Don't Know."

9/95 to **1/98** (month) (year) Go to question 34.

32. Does your school plan to get access to NSLDS (either batch or on-line) in the future?

No ..... **38** Go to question 34.

Yes **44.4**

Unsure **17.6**

33. When will your school get access to NSLDS? If you are unsure, write in "Don't Know."

12/97 to **7/98** (month) (year)

34. Why does your school not currently access NSLDS, either by batch or on-line? *(Circle ALL that apply.)*

School does not have the technical equipment or capability **18.4**

Concerns about reliability of data **14.9**

Personnel not trained to use NSLDS **52.9**

Training materials not provided **10.6**

Lack of personnel **31.5**

Bad reports from other users **6.3**

Bad prior experiences using NSLDS **3.5**

Using SAR/ISIR history page instead of NSLDS **57.5**

Use third-party servicers **16.9**

Use the Clearinghouse for SSCR processing **47.3**

Other (*specify:* _____) .. **23.6**

Other (*specify:* _____) .. **3.5**

14

35. Although your school does not access NSLDS directly, to what extent do you agree or disagree that NSLDS existence has...? *(Circle one answer for each.)*

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree	Don't Know
A. Improved the availability of student data	16.3	44.7	11.6	4.2	.5	22.6
B. Improved the quality of student data	8.6	36.4	19.8	8	.5	26.7
C. Made student data easier to access	9.1	44.6	17.2	4.3	1.1	23.7
D. Reduced the amount of paper handled	16.3	33.2	13.7	10	3.2	23.7
E. Reduced time required for Title IV administration	7.9	21.6	19.5	17.9	5.3	27.9
F. Reduced staff required for Title IV administration	5.8	8.5	24.9	22.2	10.6	28
G. Reduced fraud and abuse of student aid programs at your school	5.3	25.9	27	7.9	2.1	31.7
H. Improved your school's management and oversight of federal student aid programs and aid recipients	5.4	35.1	22.7	8.1	2.2	26.5
I. Improved the exchange of information with other schools	8	39.9	16.5	7.4	3.2	25
J. Improved your school's ability to assist students in resolving **loan** problems	7.5	27.4	24.2	8.6	3.8	28.5
K. Improved your school's ability to assist students in resolving **grant** problems	8.6	14.4	35.8	8.6	3.7	28.9

15

Section IV *Comments*

Please write any additional comments about NSLDS in this area.

21.6 percent of schools provided comments.

These comments provided contrasting views on both improvements and greater difficulties encountered on such things as: obtaining customer service; processing SSCR reports or data; updating, correcting, or providing data to the system; learning to use new programs and software; and accessing the system.

When you have completed the survey, please place it in the enclosed postage-paid envelope and drop it in any mailbox by **November 28, 1997**. Return it to:

National Student Loan Data System Survey Team
HEHS/E&E
441 G Street, NW
Washington, DC 20548

If you have any questions about responding to the survey, please call **GAO's National Student Loan Data Survey Team at (202) 512-4501.**

16

Scope and Methodology

To address our objectives, we (1) surveyed a random sample of schools that participate in financial aid programs, (2) reviewed pertinent documents, and (3) spoke with Department of Education officials and members of the higher education community.

To obtain information on schools' use of NSLDS, including problems encountered and benefits derived, we surveyed a random sample of postsecondary colleges and universities that participated in federal student financial aid programs as of August 1997. During the development of the survey instrument, Department officials informed us that all schools use NSLDS because data they receive on SARs and ISIRs are generated from the system; therefore, we focused our survey questions on the use of NSLDS' on-line and batch processing functions. In addition, we reviewed NSLDS documents obtained from the Department and prior GAO reports.

To identify measures undertaken by the Department to ensure schools' use of the system, we interviewed officials from the Department as well as staff from Raytheon/E-Systems, the contractor responsible for developing and maintaining NSLDS. We discussed NSLDS' current operation, including the functions available for school use, the number of schools that have access to NSLDS, methods by which information is transmitted into NSLDS, and how users gain access to this information.

To aid in designing our survey instrument, we also contacted members of the higher education community. We interviewed officials from the American Association of State Colleges and Universities, the American Council on Education, the Coalition of Higher Education Assistance Organizations, the National Association of Independent Colleges and Universities, the National Association of Student Financial Aid Administrators, and the National Student Loan Clearinghouse.

We conducted our study between May 1997 and July 1998 in accordance with generally accepted government auditing standards.

Survey Design

To determine the extent of schools' use of NSLDS' on-line and batch processing functions, we developed a survey instrument and sent it to a randomly selected sample of postsecondary schools. The survey covered a variety of topics, including descriptive background data on each school, types of access to NSLDS, and actual experiences using NSLDS' on-line and batch processing functions. For example, we asked schools to identify themselves as public or private and to provide the size of their student

body. We also asked the schools that reported having access to NSLDS whether they used the system themselves or through a third-party servicer. In addition, we asked schools to provide information on their use of various features of NSLDS, including benefits derived and problems encountered. To determine the purposes for which schools use NSLDS, we reviewed NSLDS manuals and pretested our instrument with 12 schools.

Survey Universe and Response

We drew our sample of 600 postsecondary schools from 6,181 schools listed in the Department's automated Postsecondary Education Participants System (PEPS) as of August 1997.[18] We mailed our instrument to the 600 schools in November 1997. We did a follow-up mailing in December 1997 and again in January 1998.

Of the 600 schools, we determined that 11 were ineligible for our survey—because they no longer participated in federal student aid programs, were high schools rather than postsecondary schools, or had closed—resulting in an adjusted sample of 589 schools. Of these, 490 schools returned completed, usable survey instruments, which yielded a school response rate of 83 percent.

Our analyses are based on the 490 responses from 83 percent of the eligible schools sampled. All data are self-reported, and we did not independently verify their accuracy.

NSLDS Processes and Functions Included in Our Survey

We included in our survey four of the six NSLDS processes and functions available to schools (listed in the Department's NSLDS users' manual, NSLDS: The Paperless Link): prescreening for eligibility, borrower tracking, SSCR data, and financial aid transcripts. We did not include the remaining two functions—overpayment data and report selection—because the first was not available at the time of our review and the latter duplicated the four processes and functions included in our survey.

- Prescreening for eligibility: The prescreening function allows schools to receive data on prior student financial aid recipients, enabling schools to determine the eligibility of financial aid applicants before funds are awarded and thereby reduce defaults.
- Borrower tracking: This on-line NSLDS function is generally used by loan servicers and guaranty agencies attempting to locate a borrower who has

[18]According to Department officials, PEPS is the Department's database on the universe of schools participating in federal student financial aid programs.

defaulted on a student loan. NSLDS provides data on other organizations (such as schools and lenders) associated with the borrower, which servicers and agencies can contact to obtain the borrower's current address.

- SSCR: Schools are required to use this function to confirm and report the enrollment status of students who receive federal loans.
- Financial aid transcript: NSLDS' financial aid transcript function summarizes all previous title IV financial aid a student has received. Histories are received on students currently attending or transferring to an institution. Financial aid transcripts are reviewed by a financial aid administrator to determine current levels of aid, whether there is any information that would prevent awarding aid for the first time, or to continue aid to an enrolled or enrolling student.
- Overpayment: NSLDS' overpayment function—added since our survey—will enable schools to notify NSLDS that a student owes a refund of an overpayment on a Pell grant, State Student Incentives Grant, or SEOG grant, as well as a Perkins Loan. An overpayment notification to NSLDS notifies the entire student financial aid community because the actual overpayment data appear on all financial aid transcripts that are requested through NSLDS and through prescreenings of ISIRs and SARs.
- Report selection: Reports and extracts are produced by NSLDS on both a regularly scheduled and on-request basis. Schools may query the system regarding the existence of reports, extracts, or both and may gain access to them via an on-line display or a file deposited to their wide area network mailbox.

Identified Administrative Tasks Included in the Survey

During the pretest, we identified 10 tasks inherent to administering federal student aid programs. Schools can perform these tasks by using NSLDS' on-line and batch processing functions directly or using other methods. We also identified operations during which schools might encounter problems using the system and data fields in which they might encounter inaccuracies.

In the survey, we asked users of the system to identify the tasks for which they used NSLDS and any problems they had encountered, including what kinds of inaccuracies, if any, they had found in the data.

Respondent Use of NSLDS

For the purposes of this survey, we defined use of NSLDS as accessing it through on-line or batch processing functions designed to perform specific tasks. To focus on the direct use of these functional capabilities by school

personnel, we instructed school officials completing the survey instrument not to consider their use of student eligibility information reports generated from the NSLDS database and sent by the Department to be a use of the system. Similarly, if schools only used the Clearinghouse for processing SSCR reports and did not use any of the system's other functional capabilities, we did not consider those schools to be NSLDS users.

We directed our survey to the officials at the selected schools whom we determined to be the most knowledgeable about NSLDS use and federal student financial aid programs. To identify the appropriate respondent at each sample school, we sent a letter to the Director of Financial Aid, which both alerted the school to our survey and requested that the school return a postcard with the name and address of the appropriate recipient, if different from the financial aid office.

Sampling and Nonsampling Errors

All sample surveys are subject to sampling errors, that is, the extent to which the results differ from what would be obtained if the whole population had received the survey instrument. Since the whole population does not receive the instrument in a sample survey, the true size of this difference cannot be known. However, it can be estimated from the responses to the survey.

Using the number of respondents and the amount of variability in the data, we were able to estimate sampling errors for our survey. (See table II.1.)

Table II.1: Estimated Sampling Errors

Sampling error	Margin of error (percent)
Schools participating in student financial aid programs	± 4
Schools responding that they use NSLDS	± 6
Schools responding that they do not use NSLDS	± 7

Note: Estimates are at 95-percent confidence level.

In addition to sampling errors, surveys are subject to other types of systematic error or bias that can affect results. Bias can affect both response rates and the way respondents answer particular questions. We cannot assess the magnitude of the effect of bias, if any, on our survey results. Rather, possibilities of bias can only be identified and accounted

for when interpreting results. One possible source of bias in our survey is inherent in all self-ratings and self-reports. Bias inherent in self-rating and self-reporting may impact survey results because integrity of the data depends upon respondents providing honest and accurate answers to survey questions. The results of this report are affected by the extent to which respondents accurately reported their school's use or non-use of NSLDS.

We took several steps to minimize the impact of nonsampling errors. First, we examined responses for extreme values and inconsistencies. In a few cases, respondents had reported numbers incorrectly, and in these cases, we corrected the data or, if correction was not possible, we rejected the data known to be in error.

Major Student Financial Aid Systems

There are six major student financial aid systems that provide various types of information on student loans.

Campus-Based Programs System

The Campus-Based Programs System supports all data tracking and reporting functions associated with campus-based programs. This system uploads and edits data received from participating schools; calculates tentative and final school awards, notifying schools of their award levels; allocates funds; and reconciles school accounts. This system contains no student-level information; it uses only summary data by school.

Central Processing System

The Central Processing System supports student financial aid applications and the determination of Pell grant eligibility; matches other databases for applicant eligibility; makes corrections to the records; and produces statistical analysis tables, student data rosters, and tapes for schools and state agencies.

Direct Loan Servicing System

The Direct Loan Servicing System services FDLP loans while the borrower is in school, in deferment status, or in repayment.

National Student Loan Data System

The National Student Loan Data System performs prescreening of student financial aid program applications, performs student status confirmation reporting, and tracks borrowers. The system contains information regarding loans made, insured, or guaranteed under title IV and selected Pell grant information. Its purposes are to (1) ensure that accurate and complete data on student loan indebtedness and institutional lending practices are available, (2) screen applications to identify prior loan defaults and grant overawards, (3) provide a database to research and identify trends and patterns, (4) support audits and program reviews, and (5) calculate default rates.

Pell Grant Recipient and Financial Management System

This system receives, evaluates, and processes student payment data and serves as the basis for obligations to schools.

Postsecondary Education Participants System

This system maintains data on school participation in student financial aid programs (such as eligibility, certification, address, and program participation); supports institutional reviewers and related activities; acts

as the official source of information regarding schools and their associated school codes for all Department of Education systems; and supports the annual default rate calculation process for FFELP and FDLP.

Comments From the Department of Education and Our Responses

On July 31 and August 7, 1998, we met with Department of Education officials to obtain their comments on a draft of this report. In general, the Department commented that the survey results show NSLDS in a favorable light and that it is used universally for important operational purposes and without significant difficulty. The Department believes the report should convey such results.

Our meetings were supplemented by an August 14, 1998, letter from the Assistant Secretary for Postsecondary Education, which appears at the end of this appendix. Our responses to the comments raised in this letter are provided in the body of the report. Summaries of the comments Department officials provided during our meetings and our responses to these comments follow.

1. The Department said all schools use NSLDS, and that we were incorrect in reporting that almost half of the schools do not use NSLDS at all. In addition to accessing NSLDS through the on-line and batch processing functions, they said all schools (1) routinely use NSLDS for prescreening because the SAR or ISIR data they receive for this purpose are generated by NSLDS and (2) must submit SSCR data to NSLDS regardless of whether they do so themselves or use a servicer, such as the Clearinghouse. When such a servicer provides this service, it submits SSCR data to NSLDS in lieu of the schools doing so directly. Department officials said we failed to point out in our discussion of the 23 percent of schools that do not access the system at all that (1) this is due to limitations or constraints the schools face that are beyond the Department's control and (2) schools use servicers or a third party to access NSLDS in order to meet SSCR processing requirements or receive ISIRs. The officials believe that the report should have stated that all schools use NSLDS (including those that access NSLDS indirectly) and schools do not need to use batch or on-line functions (except SSCR) if they are satisfied that the information provided by SARs or ISIRs in prescreening meets their needs.

GAO's Response: We recognize that all schools use SAR and ISIR data generated by NSLDS and that in this way, all schools use NSLDS. Our review focused on schools' use of NSLDS' on-line and batch processing functions, and we have revised the report to further clarify this focus. As pointed out elsewhere in our report, the topic of NSLDS use was discussed extensively during our study design—with schools, Department officials, and others in the education community. To help school representatives in completing the survey, we explained on page 1 of the instrument that we defined "access" as on-line and batch processing functions (see app. I).

With regard to the number of schools we identified that were not accessing NSLDS at all, we have revised the report to clarify that these are schools that do not use the on-line or batch functions either themselves or through a servicer. As figure 8 shows, limitations and constraints at schools were among the more frequently cited reasons given by schools for not having this access. Figure 8 also shows that using servicers and the Clearinghouse for SSCR processing were frequently given as reasons for schools not using NSLDS' on-line and batch processing functions. We did not independently obtain evidence on the extent of the Department's ability to influence these factors and did not draw conclusions about the Department's role. Our report, however, discusses how the surveyed schools are meeting the SSCR reporting requirement.

With regard to the Department's comment that schools may not need on-line and batch processing functions when SAR or ISIR data meet their needs, we did not ask schools for details about their use of these or any other sources of financial aid data for determining student eligibility. It was our intent to find out from schools the extent of their use of NSLDS' on-line or batch processing capabilities to perform a variety of tasks, such as borrower tracking or updating student information. We did not draw conclusions about the reported level of schools' use of these capabilities.

2. The Department said that favorable responses we received to the survey instrument were not adequately reported. Department officials believe that there were numerous instances throughout our draft report where we deemphasized favorable results that reflect the majority of schools and emphasized corresponding unfavorable results. They cited as an example a statement in the draft that about one-fourth of schools had problems using NSLDS to correct or update SSCR information, and 20 to 30 percent of schools encountered occasional or frequent inaccuracies in certain data fields. They believe a more accurate portrayal of the survey results would be to state that 75 percent of the schools did not have any problems using NSLDS for SSCR processing and that 70 to 80 percent rarely or never encountered data inaccuracies.

GAO's Response: Overall, we believe our draft report reasonably presented the results of our analysis. However, we made minor revisions, where appropriate, to further clarify our objectives and ensure the fairest possible presentation of our results. For example, in our discussion of schools' views of the training and training materials they received, we added a statement that the Department mailed training materials to every school. However, we decided to continue to focus the reader's attention

on those responses that show the extent to which schools encountered shortcomings in using NSLDS' on-line and batch processing functions because we believe it is important to note potential problem areas so the source of the problems may be explored and improvements to the program or operation can be identified.

3. Department officials said that the tone and balance of the draft were not true to the schools' survey answers. For example, they said we cite a number of previous reports and studies illustrating data problems that they believe are outdated and are not relevant to the objectives of our review. If we feel strongly that these studies should be cited, the officials said we should also report more recent statistics on default matching, as well as numerous increases in the functional uses of NSLDS that have been developed. In addition, they believe the draft did not adequately address the work undertaken or under way to improve the quality of NSLDS data.

GAO's Response: Our purpose in discussing prior GAO and OIG audit reports is to provide general background information, establish a historical context and significance for creating NSLDS, and discuss the basis for congressional interest in our review. As Department officials suggested, we have included more recent statistics on the Department's use of NSLDS for conducting student loan default matches and expanded our discussion about its efforts to improve the quality of student financial aid data.

4. Department officials said that the draft report did not fully discuss the purposes and advantages of NSLDS, and that our treatment of original NSLDS goals needed clarification. They believe that it is important for us to distinguish between the original purpose of NSLDS and current efforts to expand its functionality. They suggested that the report should note that NSLDS was set up as a research database and that the Department is expanding its use to help improve the accuracy and availability of student aid data. More importantly, they said these improvements will ensure better accountability for student financial aid monies.

GAO's Response: The report identifies the three main goals of NSLDS as they were presented and distributed to schools in the NSLDS users' guide. Our study focused on schools' use of NSLDS' on-line and batch processing functions; we did not review the full spectrum of NSLDS' purposes and functions. The Department's explanation of these new functions is informative, and it appears that the Department is enhancing NSLDS to take advantage of many of its expanded capabilities. But many of these new functions were either not available to schools at the time we administered

our survey instrument, were not related to on-line and batch processing functions, or were not designed to be used by schools.

5. Department officials were concerned about the development and timing of the survey instrument we administered. They said that it is not clear which school official completed the survey and that this is important because different offices in a school may use NSLDS for different purposes. Also, since the instrument was administered in late 1997, they believe some of the results may now be outdated and inaccurate. Finally, they believe that the report should note that the instrument was administered at a time when NSLDS was only 3 years old and that some portion of schools were not using it as a result of the time lags that occur in getting all schools to adapt to and welcome its use.

GAO's Response: We made a concerted effort to direct the survey instrument to those school officials who were most knowledgeable about their school's use of NSLDS' on-line and batch processing functions. As discussed in appendix II, before we mailed the survey instrument, we sent a postcard to the student financial aid administrator of each school in our sample asking him or her to provide the name, title, and complete address of the school official who was best suited to complete the survey. About half of the schools provided this information; for those that did not, we mailed the survey to the director of student financial aid. In a letter accompanying the survey instrument, we further requested schools to ensure that those persons most knowledgeable about using NSLDS be involved in responding to the survey instrument.

The purpose of the survey was to record schools' use of NSLDS at the time the survey was administered in November 1997, and this is noted in the report. We recognize that not all schools had access to NSLDS when they completed the survey instrument; as our results showed, many schools were still in the process of obtaining access. We would expect that, at this writing, more schools would be accessing NSLDS' on-line and batch processing functions, but the report is intended to assess schools' use of NSLDS' on-line and batch processing capabilities and document the extent of this use at a point in time. We do not, nor did we intend to, draw any conclusions as to whether the level of school use is sufficient or indicative of the long-term utility of NSLDS as an administrative tool for federal student aid programs.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

Carlotta C. Joyner
Director, Education and Employment Issues
United States General Accounting Office
Washington, D.C. 20548

AUG 14 1998

Dear Ms. Joyner,

We appreciate the opportunity to review and comment on the General Accounting Office (GAO) draft report entitled, STUDENT FINANCIAL AID: National Student Loan Data System Not Fully Used, (GAO/HEHS-98-192), dated July 22, 1998. We met with your staff on two separate occasions, July 31 and August 7, 1998, to discuss our comments on the draft report. We are confident that the report will provide a section that will appropriately reflect our comments and issues. However, we remain concerned that the report will not undergo the revisions we believe are necessary to provide an objective viewpoint of the results of the survey undertaken.

As you are aware *Government Auditing Standards* (1994 Revision) requires that reports be complete, accurate, objective, convincing, and as clear and concise as the subject permits. We believe the draft report is not balanced or written fairly. It is misleading as it exaggerates and overemphasizes issues, without putting the issues in perspective. The major areas that we raised included: (1) inappropriate emphasis on the negative aspects of the survey results, (2) numerical distortions of survey results, and (3) outdated audit report information in the background section of the report that had no bearing on the scope of the audit.

As we stated before, your draft report gives the impression that the National Student Loan Data System (NSLDS) is not being used. This is simply not true. All schools use NSLDS to determine student eligibility for financial aid and to manage the enrollment verification process. Further, although NSLDS implementation began just over three years ago, it now contains information on 38 million past and present financial aid recipients and is routinely used in pre-screening applicants for federal aid. Since its inception, NSLDS has helped prevent hundreds of million of dollars in loans and Pell grants from being inappropriately awarded to ineligible students.

As NSLDS continues to grow with each new academic year, so does the number of people who use the system and the data within it in their daily routine financial aid work. In fact, during the past few months, on-line use of NSLDS has increased at quite a rapid pace. There are now nearly 7,000 school personnel or their servicers, 1,000 Department of Education (Department) employees, and 300 guaranty agency staff equipped to use NSLDS. The Department uses NSLDS to help manage student aid programs and project federal liabilities. Many other organizations, both public and private, are finding the NSLDS database to be a rich source for research and policy analysis. For example, the Congressional Budget Office is using information from NSLDS to evaluate Higher Education Act reauthorization alternatives.

Again, thank you for the opportunity to review and comment on this report. If you have any questions, please contact Lynn Alexander at (202) 205-7130.

Sincerely,

David A. Longanecker

600 INDEPENDENCE AVE., S.W. WASHINGTON, D.C. 20202-5100

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

GAO Contacts and Staff Acknowledgments

GAO Contacts

Joseph J. Eglin, Jr., Assistant Director, (202) 512-7009
Joel R. Marus, Evaluator-in-Charge, (202) 512-7287

Staff Acknowledgments

In addition to those named above, the following individuals made important contributions to this report: Paula Denman and Joan A. Denomme, Senior Evaluators; Carolyn S. Blocker and Edward H. Tuchman, Evaluators; and Deborah L. Edwards and Wayne M. Dow, Senior Social Science Analysts.

Related GAO Products

The Results Act: Observations on the Department of Education's Fiscal Year 1999 Annual Performance Plan (GAO/HEHS-98-172R, June 8, 1998).

Department of Education: Information Needs Are at the Core of Management Challenges Facing the Department (GAO/T-HEHS-98-124, Mar. 24, 1998).

Student Financial Aid Information: Systems Architecture Needed to Improve Programs' Efficiency (GAO/AIMD-97-122, July 29, 1997).

Department of Education: Multiple, Nonintegrated Systems Hamper Management of Student Financial Aid Programs (GAO/T-HEHS/AIMD-97-132, May 15, 1997).

Reporting of Student Loan Enrollment Status (GAO/HEHS-97-44R, Feb. 6, 1997).

High Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

Department of Education: Status of Actions to Improve the Management of Student Financial Aid (GAO/HEHS-96-143, July 12, 1996).

Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/T-HEHS-95-199, July 12, 1995).

Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/HEHS-95-89, July 11, 1995).

Federal Family Education Loan Information System: Weak Computer Controls Increase Risk of Unauthorized Access to Sensitive Data (GAO/AIMD-95-117, June 12, 1995).

High Risk Series: Student Financial Aid (GAO/HR-95-10, Feb. 1995).

Department of Education: Management Commitment Needed to Improve Information Resources Management (GAO/IMTEC-92-17, Apr. 20, 1992).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested