Office of the Inspector General

May 18, 2000

William A. Halter
Deputy Commissioner
 of Social Security

Inspector General

Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor
Disabled (A-09-99-63008)

Attached is a copy of our final report. The objective of the audit was to determine
whether the Social Security Administration paid benefits to child beneficiaries who were
age 18 or over and neither students nor disabled.

Please comment within 60 days from the date of this memorandum on corrective action
taken or planned on each recommendation. If you wish to discuss the final report,
please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector
General for Audit, at (410) 965-9700.

                                                    James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**PAYMENTS TO CHILD
BENEFICIARIES AGE 18 OR
OVER WHO WERE NEITHER
STUDENTS NOR DISABLED**

May 2000   A-09-99-63008

AUDIT REPORT

EXECUTIVE SUMMARY

OBJECTIVE

The objective of this audit was to determine whether the Social Security Administration (SSA) paid benefits to child beneficiaries who were age 18 or over and neither students nor disabled.

BACKGROUND

The Social Security Act (Act) provides for benefits to the children of retired, deceased, or disabled workers. Generally, these children are entitled to Social Security benefits until they marry or reach age 18. However, children who are full-time students may continue to receive benefits until they reach age 19 or complete their secondary education, whichever occurs first. Children who are disabled before they reach age 22 may continue to receive benefits for the duration of their disability. The Act does not provide for benefits to child beneficiaries over age 18 if they are neither students nor disabled.

SSA relies on its automated system to identify and terminate benefit payments to children at age 18 if they are neither under a disability nor full-time students. This system uses current information from SSA's beneficiary records to monitor entitlement to benefits and process termination actions. In most cases, these actions are processed automatically. However, for complex cases, the automated system is programmed to generate alerts and exceptions rather than terminate benefits. Actions that are partially processed by SSA's automated system result in alerts while those that cannot be processed at all result in exceptions. Both alerts and exceptions require manual processing in order to complete the actions.

During calendar year 1997, SSA processed a total of 389,253 termination actions for child beneficiaries who were age 18 or over but neither students nor disabled. For 95 percent of these children, SSA's automated system terminated their benefits when they reached age 18. For the remaining 5 percent of the children, the automated system generated exceptions, which allowed the children to receive benefits beyond age 18 until the exceptions were resolved and termination actions were processed. Such actions were performed by employees at one of SSA's seven processing centers (PC).

RESULTS OF REVIEW

Our review disclosed that 390 (85.7 percent) of the 455 child beneficiaries in our population were age 18 or over and neither students nor disabled. These individuals were ineligible for Social Security benefits under the Act. The remaining 65 individuals represented child beneficiaries who, based on subsequent information obtained by SSA, were entitled to benefits as students or disabled children. These individuals consisted of 62 children who were full-time students and 3 children who were under a disability.

We found that 390 child beneficiaries received $435,282 in Social Security benefits to which they were not entitled. This occurred because (1) SSA had not programmed its automated system to terminate benefits for these individuals, and (2) PC employees did not manually process the termination actions in a timely manner. As of June 30, 1999, SSA established overpayments totaling $353,740 against 281 of these individuals. The remaining 109 individuals received $81,542 in overpayments which were offset against underpayments due other individuals in the same family.

CONCLUSIONS AND RECOMMENDATIONS

SSA is currently reassessing its automated system for processing termination actions for child beneficiaries. Although SSA's automated system identifies child beneficiaries who are age 18 or over and neither students nor disabled, it is not programmed to terminate benefits to all of these individuals. Because of other workload priorities, we believe that SSA cannot continue to rely on PC employees to manually process termination actions in a timely manner. Such actions should be processed by SSA's automated system, thereby reducing the amount of overpayments to ineligible beneficiaries. Therefore, we recommend that SSA:

- Modify its automated system to terminate benefits to child beneficiaries at age 18 if they are neither under a disability nor full-time students.

- Generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.

- Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for child beneficiaries who are neither students nor disabled are terminated at age 18.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. SSA acknowledged that all child beneficiaries who are neither under a disability nor full-time students should have their benefits automatically terminated at age 18. SSA stated that the majority of this workload will be fully automated with the implementation of release 3 of title II

Redesign. In addition, alerts will continue to be generated for the remaining cases that are too complex to be fully automated.

SSA advised that release 3 will provide the systems capability to (1) terminate all benefits to child beneficiaries at age 18 if they are neither students nor disabled, and (2) automate the processing of many complex cases, such as those involving workers' compensation. SSA estimated that release 3 will be implemented in about 2 1/2years and agreed to explore possible improvements to the current manual process in the interim. The full text of SSA's comments is included in Appendix B.

THE OFFICE OF THE INSPECTOR GENERAL RESPONSE

SSA's planned actions adequately address all of our recommendations.

TABLE OF CONTENTS

INTRODUCTION

OBJECTIVE

The objective of this audit was to determine whether the Social Security Administration (SSA) paid benefits to child beneficiaries who were age 18 or over and neither students nor disabled.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under title II of the Social Security Act (Act). The OASDI program provides benefits to the children of retired, deceased, or disabled workers. Generally, child beneficiaries may receive benefits until they marry or reach age 18. However, children who are disabled before they reach age 22 may continue to receive benefits for the duration of their disability. In addition, children who are full-time students may continue to receive benefits until they reach age 19 or complete their secondary education, whichever occurs first.[1]

The Act states that a child of a beneficiary is entitled to Social Security benefits as a student if he or she is enrolled full-time in an elementary or secondary school upon reaching age 18 and has not completed the requirements for a diploma or equivalency certificate. For schools that do not require enrollment each quarter or semester, student benefits will continue through the earlier of (1) the second month after the month in which the child reaches age 19, or (2) the month when the student completes the course in which he or she is enrolled. For schools that require enrollment each quarter or semester, student benefits will continue through the last month of the quarter or semester in which the student reaches age 19.[2]

SSA sends a notice to child beneficiaries about 5 months before the child reaches age 18. This notice instructs child beneficiaries to apply for student benefits if they plan to attend school beyond age 18. Child beneficiaries who complete Form SSA-1372, *Student's Statement Regarding School Attendance,* are awarded benefits provided they are in full-time attendance at a secondary school or a General Educational Development program. Payments for child beneficiaries who do not complete Form SSA-1372 are terminated at age 18. However, benefits may be retroactively reinstated if the Form SSA-1372 is subsequently completed.

---

[1] Section 202(d)(1), 42 United States Code § 402(d)(1).

[2] Section 202(d)(7), 42 United States Code § 402(d)(7).

Under title II of the Act, there is no provision for payment of benefits to children over age 18 if they are neither students nor disabled. SSA's Program Operations Manual System (POMS) states that a child of a beneficiary is no longer entitled to Social Security benefits when he or she reaches age 18 and is neither under a disability nor a full-time student.[3] In these instances, POMS requires SSA to process termination actions and, if applicable, recalculate benefit payments to other individuals in the same family.

SSA relies on its automated system to identify and terminate benefit payments to children at age 18 if they are neither students nor disabled. This system uses current information from SSA's beneficiary records to monitor entitlement to benefits and process termination actions. In most cases, these actions are processed automatically. However, for complex cases, the automated system is programmed to generate alerts and exceptions rather than terminate benefits. Actions that are partially processed by SSA's automated system result in alerts while those that cannot be processed at all result in exceptions. Both alerts and exceptions require manual processing in order to complete the actions.

During calendar year 1997, SSA processed a total of 389,253 termination actions for child beneficiaries who were age 18 or over but neither students nor disabled.[4] For 95 percent of these children, SSA's automated system terminated their benefits when they reached age 18. For the remaining 5 percent of the children, the automated system generated exceptions, which allowed the children to receive benefits beyond age 18 until the exceptions were resolved and termination actions were processed. Such actions were performed by employees at one of SSA's seven processing centers (PC).

SCOPE AND METHODOLOGY

Based on SSA's Master Beneficiary Record (MBR), we obtained a data extract of all child beneficiaries who were age 18 or over and neither under a disability nor full-time students. Our population consisted of 455 child beneficiaries in current pay status as of December 1998. These individuals had reached age 18 but, according to the MBR, were neither students nor disabled. SSA paid total benefits of $602,003 to the 455 child beneficiaries after they reached age 18.

In December 1998 and January 1999, we found that PC employees had implemented corrective actions on 136 of the 455 cases in our population. To reduce the potential for overpayments, we issued a memorandum on February 2, 1999 to the Director, Management Analysis and Audit Program Support Staff. In the memorandum, we alerted SSA about the improper payments and referred the remaining 319 cases for

---

[3] POMS section RS 00203.35(2).

[4] Annual Statistical Supplement, 1998 to the Social Security Bulletin, table 6.F3. This amount represents the sum of the termination actions, due to attainment of age 18, for child beneficiaries of retired, deceased, and disabled workers.

review. SSA subsequently took corrective actions on the 319 cases, including (1) terminating benefits, (2) establishing overpayments, (3) recalculating benefits to other individuals in the same family, and (4) converting eligible child beneficiaries to either student or disabled status.

To accomplish our objective, we:

- reviewed the applicable sections of the Act and SSA's POMS;

- conducted interviews with employees from Western Program Service Center (PSC) and SSA's Headquarters, including the Office of Systems Requirements, Office of Systems Design and Development, Office of Disability and International Operations (ODIO),[5] and Office of Public Service and Operations Support;

- extracted a population of 455 child beneficiaries in current pay status who, according to the MBR, were over age 18 but neither students nor disabled;

- obtained queries from SSA's MBR, Payment History Update System, and Recovery of Overpayments, Accounting, and Reporting system;

- referred 319 of the 455 cases in our population to SSA's Headquarters for corrective action;

- determined the nature and extent of corrective actions taken by SSA's seven PCs (i.e., Northeastern PSC, Mid-Atlantic PSC, Southeastern PSC, Great Lakes PSC, Western PSC, Mid-America PSC, and ODIO); and

- reviewed the applicable audit findings and recommendations made by PricewaterhouseCoopers LLP (PwC) in its management letter accompanying SSA's Fiscal Year (FY) 1998 financial statement audit.
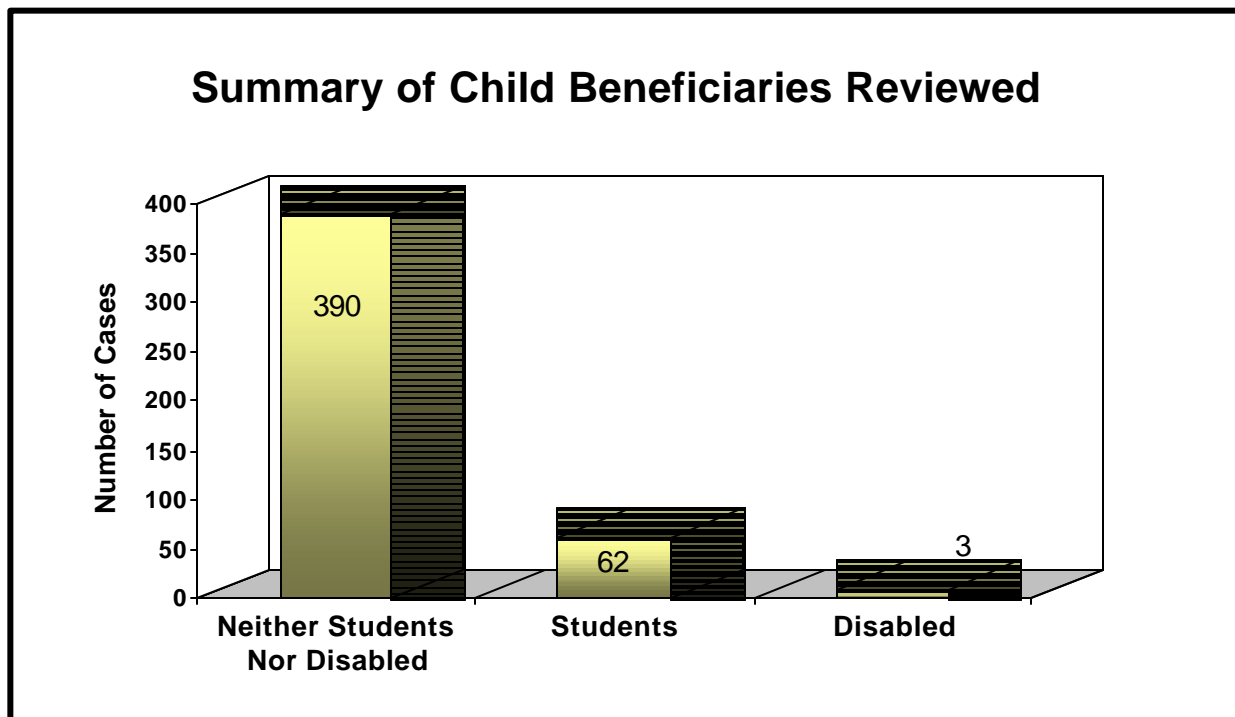
As part of our review, we determined whether SSA had terminated benefit payments in a timely manner to child beneficiaries who were age 18 or over and neither students nor disabled. For selected beneficiaries, we reviewed the calculation of overpayments by the PCs. We found that these calculations were reasonably accurate and, therefore, did not validate the calculation of overpayments for the remaining beneficiaries.

We performed audit work in Baltimore, Maryland, and Richmond, California, between December 1998 and August 1999. We conducted our audit in accordance with generally accepted government auditing standards.

---

[5] Renamed as the Office of Central Operations.
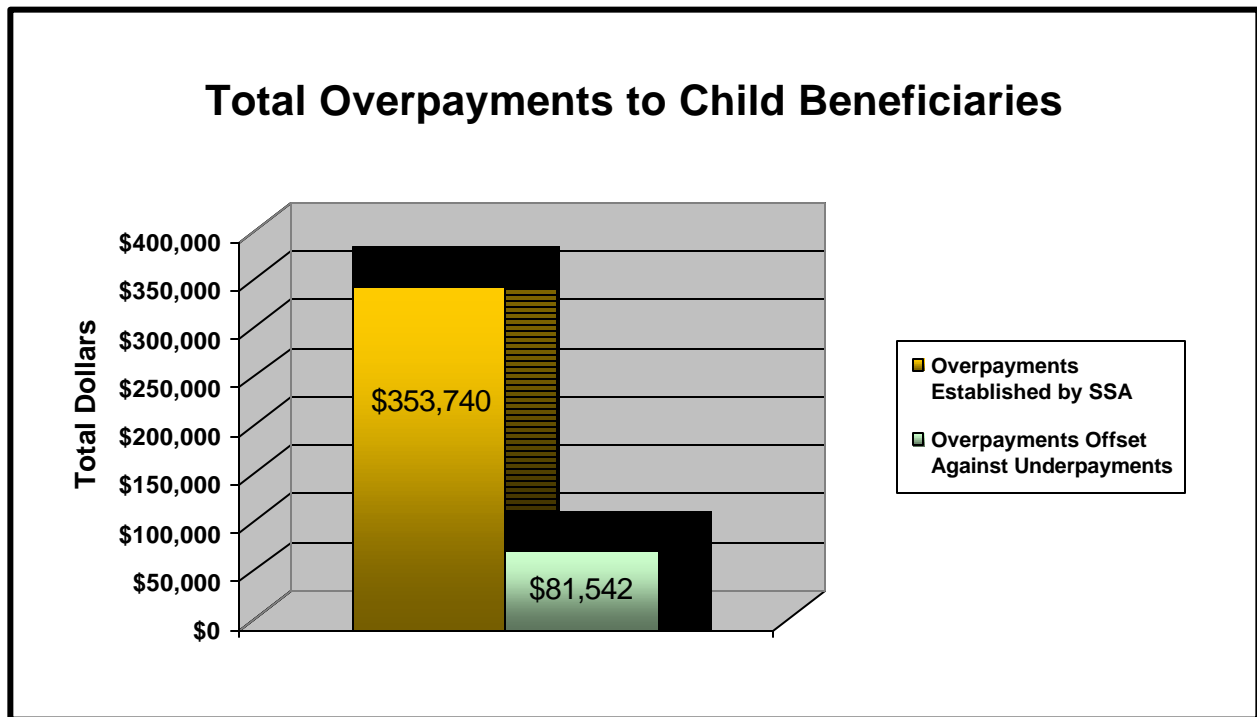
RESULTS OF REVIEW

Our review disclosed that 390 (85.7 percent) of the 455 child beneficiaries in our population were age 18 or over and neither students nor disabled. These individuals were ineligible for Social Security benefits under the Act. We determined that SSA had improperly paid benefits totaling $435,282 to these individuals. The remaining 65 individuals represented child beneficiaries who, based on subsequent information obtained by SSA, were entitled to benefits as students or disabled children. These individuals consisted of 62 children who were full-time students and 3 children who were under a disability. For the 455 child beneficiaries in our population, the results of our review are summarized below.

Summary of Child Beneficiaries Reviewed

Category	Number of Cases
Neither Students Nor Disabled	390
Students	62
Disabled	3

INCORRECT PAYMENTS TO CHILD BENEFICIARIES OVER AGE 18

We found that 390 child beneficiaries received $435,282 in Social Security benefits to which they were not entitled. This occurred because (1) SSA had not programmed its automated system to terminate benefits for these individuals, and (2) PC employees did not manually process the termination actions in a timely manner. As of June 30, 1999, SSA established overpayments totaling $353,740 against 281 of these individuals. The remaining 109 individuals received $81,542 in overpayments which were offset against underpayments due other individuals in the same family. The following chart provides a breakdown of the total overpayments questioned by our audit.

Total Overpayments to Child Beneficiaries

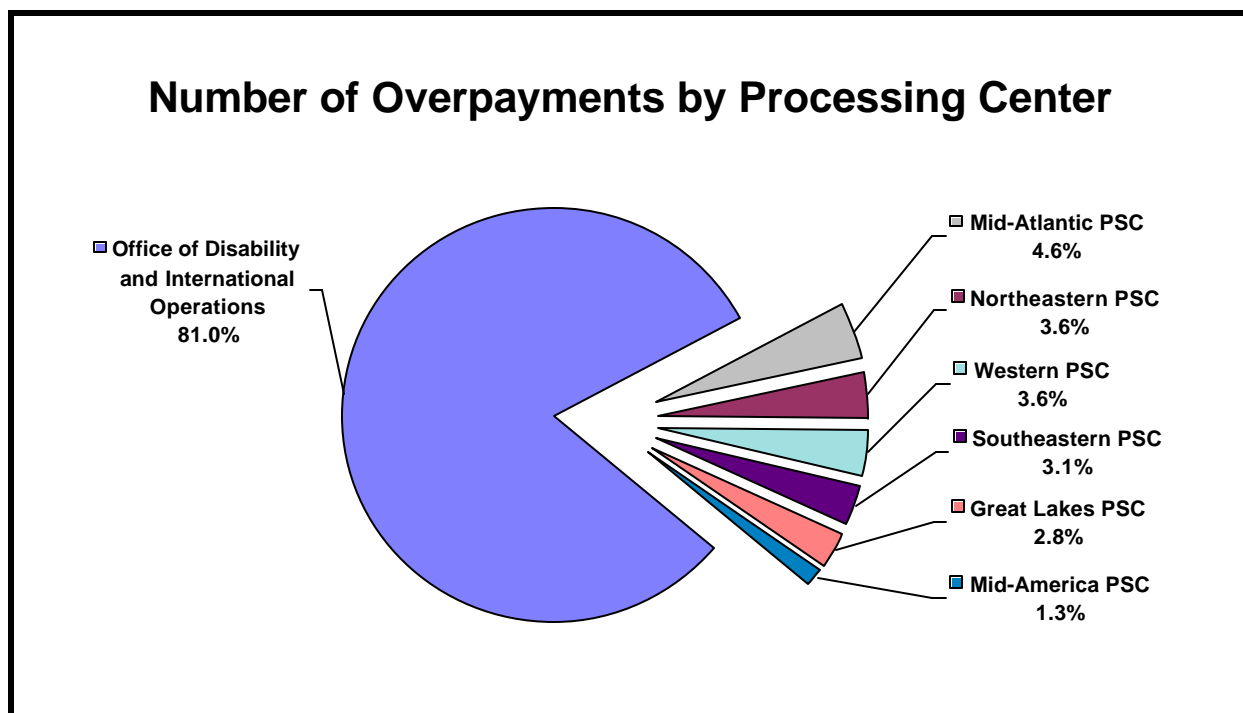**Delays in Manual Processing of Termination Actions**

SSA relies on its automated system to identify and terminate benefit payments to child beneficiaries at age 18 if they are neither students nor disabled. In most cases, these termination actions are processed automatically. However, for complex cases, SSA's automated system is not programmed to process the termination actions. These cases include children who live in different households, children entitled to benefits based on the eligibility of more than one parent, and parents who receive worker's compensation benefits.

For example, when parents become disabled because of work-related injuries, they often receive worker's compensation benefits. Accordingly, the amount of disability benefits paid to the parent and his or her dependents may be reduced by the amount of worker's compensation benefits. Such cases are complex because terminating benefits for one family member (e.g., a child) may affect the benefits payable to other family members. As a result, SSA's automated system generates an exception and neither terminates nor recalculates benefit payments in these instances.

These exceptions require PC employees to manually process termination actions and recalculate benefit payments. However, we found that PC employees did not always review the exceptions and take prompt corrective action. Because of other duties, they placed the exceptions into their backlogged workloads to be processed at a later date. In a memorandum dated March 31, 1999, the Deputy Commissioner for Operations estimated that the amount of time required to process the exceptions ranged from 2 to 6 months. Our review disclosed that, for the 390 child beneficiaries in our

population who were neither students nor disabled, the amount of time required to process the exceptions averaged 7.1 months. Since the child beneficiaries remained in current pay status during this period, they continued to receive benefits to which they are not entitled until the termination actions were processed.

According to SSA employees,[6] the primary workloads for the PCs consisted of (1) providing service to the public through SSA's 800-number, (2) processing initial awards for Social Security benefits, (3) assisting with cases under review by administrative law judges, (4) disbursing fees to attorneys who represent claimants in legal proceedings, and (5) suspending and reinstating benefits to prisoners. All other workloads, including resolving alerts and exceptions generated by SSA's automated system, are processed as time permits. We found that 316 of the 390 overpayments (81 percent) occurred at ODIO while only 74 overpayments (19 percent) occurred at the 6 PSCs. Although workload backlogs and staff reductions contributed to these overpayments, ODIO is responsible for processing claims under the Disability Insurance program, which includes a disproportionate number of complex cases involving worker's compensation benefits. These error rates are illustrated in the following chart.

Number of Overpayments by Processing Center

- ■ Office of Disability and International Operations **81.0%**
- ■ Mid-Atlantic PSC **4.6%**
- ■ Northeastern PSC **3.6%**
- ■ Western PSC **3.6%**
- ■ Southeastern PSC **3.1%**
- ■ Great Lakes PSC **2.8%**
- ■ Mid-America PSC **1.3%**

SSA's Automated System Could Be Improved

On May 27, 1999, PwC issued a management letter as part of SSA's financial statement audit for FY 1998. This letter contained findings and recommendations to improve SSA's management controls and operations resulting from the financial statement audit. For FY 1998, PwC identified 121 child beneficiaries who were over

---

[6] Staff members from ODIO and Western PSC.

age 18 and neither under a disability nor full-time students. Based on its projections, PwC estimated that 2,420 child beneficiaries were not entitled to benefits under the Act. Similarly, for FY 1997, PwC identified 22 child beneficiaries who were age 18 or over and neither students nor disabled. Based on its projections, PwC estimated that 440 child beneficiaries were not entitled to benefits.[7]

In response to our audit, along with the FY 1998 financial statement audit conducted by PwC, SSA agreed to reassess its automated system for processing termination actions for child beneficiaries. In addition, for the 455 child beneficiaries in our population, SSA took appropriate corrective actions by terminating benefits, establishing overpayments, recalculating benefits to other individuals in the same family, and converting eligible child beneficiaries to either student or disabled status. Specifically, SSA had established overpayments against 281 individuals, offset overpayments for 109 individuals against underpayments due other family members, and converted the status of another 65 individuals to students or disabled.

Although SSA's automated system identifies child beneficiaries who are age 18 or over and neither students nor disabled, it is not programmed to terminate benefits to all of these individuals. The automated system is programmed to generate exceptions, which allow child beneficiaries to remain in current pay status until the exceptions are subsequently resolved and termination actions are manually processed. We believe that SSA should not rely on manual processing by PC employees because there may be significant delays before the exceptions are resolved and benefits are terminated. Furthermore, if the exceptions are inadvertently misplaced or discarded, there is a risk that the termination actions may not be processed at all.

To prevent future occurrences of similar problems, we believe the termination actions should be automated and automatic at age 18. Such a system should improve the integrity of the program and reduce the potential for fraud, waste, and abuse. Therefore, we recommend that SSA modify its automated system to terminate benefits to child beneficiaries at age 18 if they are neither students nor disabled. After benefits have been terminated, the automated system should generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary. We recognize that delays in processing these alerts may result in underpayments to other family members who are eligible for benefits. Consequently, SSA should evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for child beneficiaries who are neither students nor disabled are terminated at age 18.

---

[7] SSA processes termination actions daily throughout the year. Because of workload priorities and other considerations, the number of unprocessed termination actions for child beneficiaries who are age 18 or over and neither students nor disabled may vary significantly.

CONCLUSIONS AND RECOMMENDATIONS

Our review disclosed that 390 (85.7 percent) of the 455 child beneficiaries in our population were age 18 or over and neither students nor disabled. These individuals were ineligible for Social Security benefits under the Act. This occurred because (1) SSA had not programmed its automated system to terminate benefits for these individuals, and (2) PC employees did not manually process the termination actions in a timely manner. As a result, SSA improperly paid benefits totaling $435,282 to 390 child beneficiaries. As of June 30, 1999, SSA established overpayments of $353,740 against 281 of these individuals. The remaining 109 individuals received $81,542 in overpayments which were offset against underpayments due other individuals in the same family.

SSA is currently reassessing its automated system for processing termination actions for child beneficiaries. Although SSA's automated system identifies child beneficiaries who are age 18 or over and neither students nor disabled, it is not programmed to terminate benefits to all of these individuals. Because of other workload priorities, we believe that SSA cannot continue to rely on PC employees to manually process termination actions in a timely manner. Such actions should be processed by SSA's automated system, thereby reducing the amount of overpayments to ineligible beneficiaries. Therefore, we recommend that SSA:

1. Modify its automated system to terminate benefits to child beneficiaries at age 18 if they are neither under a disability nor full-time students.

2. Generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.

3. Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for child beneficiaries who are neither students nor disabled are terminated at age 18.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. SSA acknowledged that all child beneficiaries who are neither under a disability nor full-time students should have their benefits automatically terminated at age 18. SSA stated that the majority of this workload will be fully automated with the implementation of release 3 of title II Redesign. In addition, alerts will continue to be generated for the remaining cases that are too complex to be fully automated.

SSA advised that release 3 will provide the systems capability to (1) terminate all benefits to child beneficiaries at age 18 if they are neither students nor disabled, and (2) automate the processing of many complex cases, such as those involving workers' compensation. SSA estimated that release 3 will be implemented in about 2 1/2 years and agreed to explore possible improvements to the current manual process in the interim. The full text of SSA's comments is included in Appendix B.

THE OFFICE OF THE INSPECTOR GENERAL RESPONSE

SSA's planned actions adequately address all of our recommendations.

APPENDICES

ACRONYMS

FY	Fiscal Year
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
ODIO	Office of Disability and International Operations
PC	Processing Center
POMS	Program Operations Manual System
PSC	Program Service Center
PwC	PricewaterhouseCoopers LLP
SSA	Social Security Administration

AGENCY COMMENTS

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT
REPORT, "PAYMENTS TO CHILD BENEFICIARIES AGE 18 OR OVER WHO
WERE NEITHER STUDENTS NOR DISABLED" (A-09-99-63008)

1. Recommendation

That SSA modify its automated system to terminate benefits
to child beneficiaries at age 18 if they are neither under a
disability nor full-time students.

Comments

We agree that all child beneficiaries who are neither under
a disability nor full-time students should have their
benefits automatically terminated at age 18. Currently,
ninety-five percent of these beneficiaries have their
benefits terminated automatically when they reach age 18.
The remaining five percent of these cases, from which OIG
took its sample, involve complexities that the current
system cannot process automatically. For these cases,
alerts (for cases that are partially processed by the
system) and exceptions (for cases that cannot be processed
by the system) are generated for program center (PC) action,
and child beneficiaries remain in pay status until
processing is completed.

We plan to more fully automate this workload with the
implementation of release 3 of Title II Redesign (T2R).
Release 3 will provide the systems capability to: 1)
terminate all benefits to child beneficiaries at age 18 if
they are neither under a disability nor full-time students;
and 2) automate the processing of many of the complex cases
now worked manually, such as those involving workers'
compensation. Some cases will still require manual
processing because of the level of complexity, e.g., triple
entitlement. While it is not possible to predict exact
numbers of cases at this point, we anticipate that the
majority of this workload will be fully automated with
release 3.

We estimate that it will be approximately two and a half
years before release 3 can be implemented. In the interim,
it would not be a cost-effective use of resources to
implement any pre-T2R system modifications that would be
obsolete when release 3 becomes operational. However, we
will explore possible improvements to the current manual
process while awaiting implementation of release 3.

2. Recommendation

That SSA generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.

Comments

Once release 3 has been implemented, PC alerts for manual action will not be needed for the majority of these cases because recalculations and adjustments for other family members will be automatically processed. Alerts will continue to be generated for the remaining cases that are too complex to be fully automated.

3. Recommendation

That SSA evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for child beneficiaries who are neither students nor disabled are terminated at age 18.

Comment

As stated above, release 3 will provide the capability to automate benefit increases for other individuals in the same family for those cases in which processing can be fully automated.

MAJOR CONTRIBUTORS TO THE REPORT

Office of the Inspector General

William Fernandez, Director, Program Benefits Audit Division

Jack H. Trudel, Deputy Director

Jimmie R. Harris, Senior Auditor

Carmen T. Chu, Auditor

Cheryl Robinson, Writer-Editor, Policy, Planning and Technical Services

For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-5998. Refer to Common Identification Number A-09-99-63008.

SSA ORGANIZATIONAL CHART