Office of the Inspector General

September 30, 1999

John R. Dyer
Principal Deputy Commissioner
of Social Security

Acting Inspector General

School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007)

Attached is a copy of the subject final report. Our objective was to determine the propriety of Social Security benefits paid to student beneficiaries after reaching age 18 and the adequacy of controls and procedures to ensure they attended school on a full-time basis.

You may wish to comment on any further action taken or contemplated on our recommendations. If you choose to offer comments, please provide them within the next 60 days. If you wish to discuss the final report, please call me or have your staff contact Daniel R. Devlin, Acting Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

SCHOOL ATTENDANCE BY CHILD BENEFICIARIES OVER AGE 18

September 1999 A-09-97-61007

AUDIT REPORT

EXECUTIVE SUMMARY

OBJECTIVE

The objective of this audit was to determine the propriety of Social Security benefits paid to student beneficiaries after reaching age 18 and the adequacy of controls and procedures to ensure they attended school on a full-time basis.

BACKGROUND

Title II of the Social Security Act (Act) provides benefits to children of insured workers upon the retirement, death or disability of the worker. Generally, child beneficiaries may continue to receive benefits until they marry or reach age 18. Amendments to the Act provide for extended benefits beyond age 18 to enable child beneficiaries who are full-time students to complete their education. The Social Security Administration (SSA) monitors and administers all phases of student entitlement beginning with the mailing of an advance notice prior to the child reaching age 18 through the termination of benefits.

The Act states that a child of a beneficiary is entitled to Social Security benefits if he or she is a full-time student at an elementary or secondary school upon reaching age 18 and has not completed the requirements for a diploma or equivalency certificate.[1] 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.

RESULTS OF REVIEW

Our review of 3 populations of student beneficiaries disclosed that an estimated 30,991 (or 11.5 percent) of 270,119 individuals received payments to which they were not entitled. Also, we were unable to determine the propriety of payments to an additional 35,950 (or 13.3 percent) student beneficiaries. We estimated that the incorrect and unsupported payments amounted to $73.9 and $140.4 million, respectively. These estimates are based on statistical projections of 3 samples of 100 items randomly selected from 3 populations (see Appendix B).[2]

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

[2] For illustrative purposes, the total projections represent the sum of the point estimates from each of the three unrestricted random samples. They do not represent the sum of the total estimated incorrect and unsupported payments over a specific period of time.

The incorrect payments occurred because SSA had not established an effective monitoring system to detect when students were not attending school on a full-time basis. In addition, SSA had not established automated controls to prevent overpayments resulting from clerical errors in determining the maximum age of entitlement for students. The unsupported payments occurred because SSA procedures require that documentation related to student beneficiaries be destroyed 120 days after processing. Also, SSA had not retained sufficient information to otherwise support its basis for awarding student benefits.

CONCLUSIONS AND RECOMMENDATIONS

SSA officials informed us that they are currently in the process of redesigning the student monitoring system. We concluded that SSA needs to implement a more proactive monitoring system and retain supporting documentation for student beneficiaries. This system should provide for timely identification of events that affect the entitlement of individuals to student benefits, thereby reducing the amount of overpayments to ineligible beneficiaries. Such a system should also reduce the vulnerability of the Agency to individuals who misrepresent their intentions of returning to school in order to continue receiving Social Security benefits. Specifically, we recommend that SSA:

- Request assistance from school officials in identifying and reporting changes in student attendance which may affect their benefit status.

- Evaluate the feasibility of shifting the responsibility for monitoring student beneficiaries from the program service centers (PSC) to the field offices (FO).

- Obtain additional information from schools about student attendance prior to awarding benefit payments.

- Provide training and guidance to SSA employees who monitor student beneficiaries to ensure that they fully understand the requirements of the Act for determining the maximum age of entitlement.

- Perform a follow-up review to identify all students in current pay status beyond age 19 years and 2 months prior to the end of Fiscal Year (FY) 2000. For each of these students, review the case to ensure that appropriate actions were taken to terminate benefits and establish overpayments.

- Retain school information to provide: (1) the supporting documentation for awarding student benefits, and (2) the necessary information for monitoring student beneficiaries.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. As a result of our audit, SSA further agreed to accelerate its ongoing efforts to redesign the student monitoring system. SSA stated that it is currently in the process of (1) testing different methods of approaching schools for assistance in monitoring student attendance, (2) preparing a letter to request information from schools prior to awarding benefits and during the school year, and (3) developing instructions to implement these changes in calendar year 2000. SSA added that it would evaluate the feasibility of retaining additional school information and shifting the student workload from PSCs to FOs during the redesign.

SSA acknowledged that systems modifications have already been implemented to preclude benefit payments beyond the maximum age of entitlement. SSA also stated that it would perform a follow-up review by the end of FY 2000 to ensure the effectiveness of these modifications and issue additional instructions to its employees within 90 days.

In addition, SSA provided technical comments that have been considered and incorporated, where appropriate, in this final report. The full text of SSA's comments is included in Appendix C.

THE OFFICE OF THE INSPECTOR GENERAL RESPONSE

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

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INTRODUCTION

OBJECTIVE

The objective of this audit was to determine the propriety of Social Security benefits paid to student beneficiaries after attaining age 18 and the adequacy of controls and procedures to ensure they attended school on a full-time basis.

BACKGROUND

The Old-Age, Survivors and Disability Insurance (OASDI) program provides benefits to children of insured workers upon the retirement, death or disability of the worker. Generally, child beneficiaries may continue to receive benefits until they marry or reach age 18. In 1965, the Social Security Act (Act) was amended to extend a child's benefits until age 22 as long as the child was enrolled in high school, college, graduate school or vocational school on a full-time basis.[3] This provision was eliminated in 1981, but children were allowed to receive benefits if they were full-time elementary or secondary students until age 19.[4] The legislative intent for these changes enabled child beneficiaries who were full-time students to complete their education. The Social Security Administration (SSA) monitors and administers all phases of student entitlement beginning with the mailing of an advance notice prior to the child reaching age 18 through the termination of benefits.

The Act states that a child of a beneficiary is entitled to Social Security benefits if he or she is a full-time student at an elementary or secondary school upon reaching age 18 and has not completed the requirements for a diploma or equivalency certificate.[5] 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.

Conversion of Beneficiary from Child to Student

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,

[3] Public Law 89-97, 79 Stat. 372.

[4] Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, 95 Stat. 357.

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

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. SSA verifies whether students are in school on a full-time basis and determines their continuing eligibility to Social Security benefits through two compliance activities, which occur at the beginning and end of the school year.

Beginning of School Year

At the beginning of the school year, SSA mails Form SSA-1386, *Student's Statement Regarding Resumption of School Attendance,* to student beneficiaries. This form is used to obtain information about the students' marital status, school attendance and earnings. The students are required to complete the form and obtain school certification that they are in full-time attendance. If Form SSA-1386 is not returned to SSA within 45 days, student benefits are suspended. SSA then provides students with an additional 90 days to complete the form. If the form is not received by the end of the 90-day period, student benefits are terminated retroactively to the beginning of the school year and overpayments are established.

End of School Year

Near the end of the school year, SSA mails Form SSA-1388, *Report of Student Beneficiary at End of School Year,* to student beneficiaries. The students are required to complete the form and obtain school certification that they are in full-time attendance. This form is used to verify current eligibility for student benefits and determine continuing entitlement for the next school year. If the students intend to return in the fall, they will continue to receive benefits throughout the summer. If the students graduate in the spring or do not plan to return in the fall, their benefits are terminated at the end of the current term or when they reach age 19, whichever occurs first.

If Form SSA-1388 is not returned to SSA, student benefits are terminated. About 90 days after the termination actions, alerts are generated through SSA's automated system. These alerts, called "90-day alerts," require PSC employees to directly contact the students' last school of record. During this contact, program service center (PSC) employees must identify the students' last month of full-time attendance, determine whether the termination actions were correct, and take additional actions as appropriate. For the most part, PSC employees are required to make direct contact with schools only when the "90-day alerts" are generated.

Maximum Age of Entitlement

About 3 months before the child reaches age 19, SSA mails Form SSA-1390, *Report of Student Beneficiary About to Attain Age 19,* to student beneficiaries. This form is used to ascertain whether students intend to remain in school after they reach age 19. Students who are still in school when they reach age 19 may continue to receive

benefits for an extended period of time. However, students who reach age 19 in a month of nonattendance (e.g., during summer vacation) are not eligible for extended benefits. If Form SSA-1390 is not returned to SSA, student benefits are terminated at age 19.

Students who reach age 19 in a month in which they are in full-time attendance and have not completed the requirements for (or have not received) a diploma or equivalency certificate are eligible for extended benefits. Generally, the maximum age of entitlement is 2 additional months after the student reaches age 19 or the month when the student completes the course in which he or she is enrolled, whichever occurs first. Alternatively, in some instances, the maximum age of entitlement is the month ending the term in progress when the student reaches age 19.

SCOPE AND METHODOLOGY

Based on SSA's Master Beneficiary Record (MBR), we randomly selected 300 student beneficiaries for review. A total of 100 students were selected from each of the following 3 populations: (1) 71,474 students in current pay status as of October 1, 1997; (2) 141,944 students whose benefits were terminated between September 1996 and August 1997 because they did not attend school; and (3) 56,701 students whose benefits were terminated between September 1996 and August 1997 because they reached age 19. The total benefits paid to the 270,119 students in the 3 populations was $935.1 million.

To accomplish our objective, we:

- reviewed the applicable sections of the Act, Code of Federal Regulations, and SSA's Program Operations Manual System (POMS);

- conducted interviews with officials from SSA's Headquarters, including the Office of Program Benefits (OPB); Office of Systems Requirements (OSR); Office of Systems Design and Development; Office of Public Services and Operations Support (OPSOS); Office of Budget; Office of Program and Integrity Reviews;[6] Office of Research, Evaluation and Statistics; and Office of Workforce Analysis;

- conducted interviews with officials at SSA's six PSCs (i.e., Northeastern, Mid-Atlantic, Southeastern, Great Lakes, Western, and Mid-America) and the Office of Disability and International Operations (ODIO);[7]

- extracted 3 random samples of 100 student beneficiaries, and obtained MBR and Payment History Update System queries from SSA's computerized beneficiary data bases;

[6] Renamed as the Office of Quality Assurance and Performance Assessment.

[7] Renamed as the Office of Central Operations.

- reviewed case folders to determine the propriety of benefits awarded to the students and the adequacy of support for the benefit payments; and

- contacted schools and students, via letter and telephone, to verify school attendance for the students in our three samples.

We evaluated the adequacy of SSA's controls and procedures to ensure that student beneficiaries who received Social Security benefits after reaching age 18 were eligible for benefit payments in accordance with the requirements of the Act.

During our audit, we identified a weakness in SSA's automated controls over the payment of benefits to students who were beyond the maximum age of entitlement. Therefore, using our data extract of 71,474 student beneficiaries who were in current pay status as of October 1, 1997, we conducted an additional review of students paid beyond age 19 years and 2 months.

For the students in current pay status, we contacted schools to verify that the students were in school on a full-time basis. For the terminated students, we contacted schools to verify that the students had attended school for the months in which they received benefits. If we were unable to identify the school, we attempted to contact the student directly to verify school attendance.

We projected our sampling results to the three populations using the Office of the Inspector General (OIG), Office of Audit, statistical software for variable analysis and attribute analysis of a random sample. All estimates in our report are the midpoint projections (point estimates).

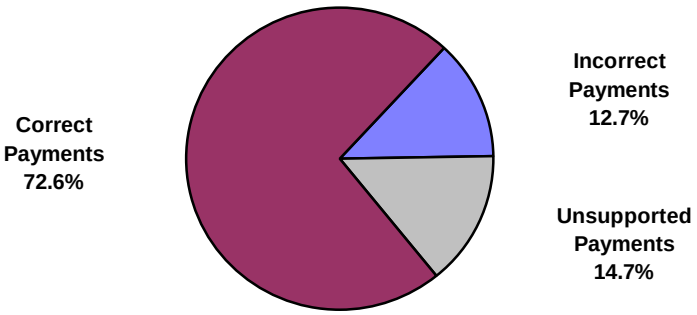
We performed audit work in Baltimore, Maryland, and Richmond, California, between October 1997 and September 1998. We conducted our audit in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

Our review of 3 populations of student beneficiaries disclosed that an estimated 30,991 (or 11.5 percent) of 270,119 individuals received payments in error because SSA had not established an effective monitoring system to detect when students were not attending school on a full-time basis. In addition, SSA had not established automated controls to prevent overpayments resulting from clerical errors in determining the maximum age of entitlement for students.

We were unable to determine the propriety of payments to an additional 35,950 (or 13.3 percent) individuals because SSA procedures require that documentation related to student beneficiaries be destroyed 120 days after processing. Also, SSA had not retained sufficient information to otherwise support its basis for awarding student benefits. We estimated that the incorrect and unsupported payments amounted to $73.9 and $140.4 million, respectively. These estimates are based on statistical projections of 3 samples of 100 items randomly selected from 3 populations (see Appendix B).[8] The results of our review are summarized below.

Summary of Student Beneficiaries Reviewed



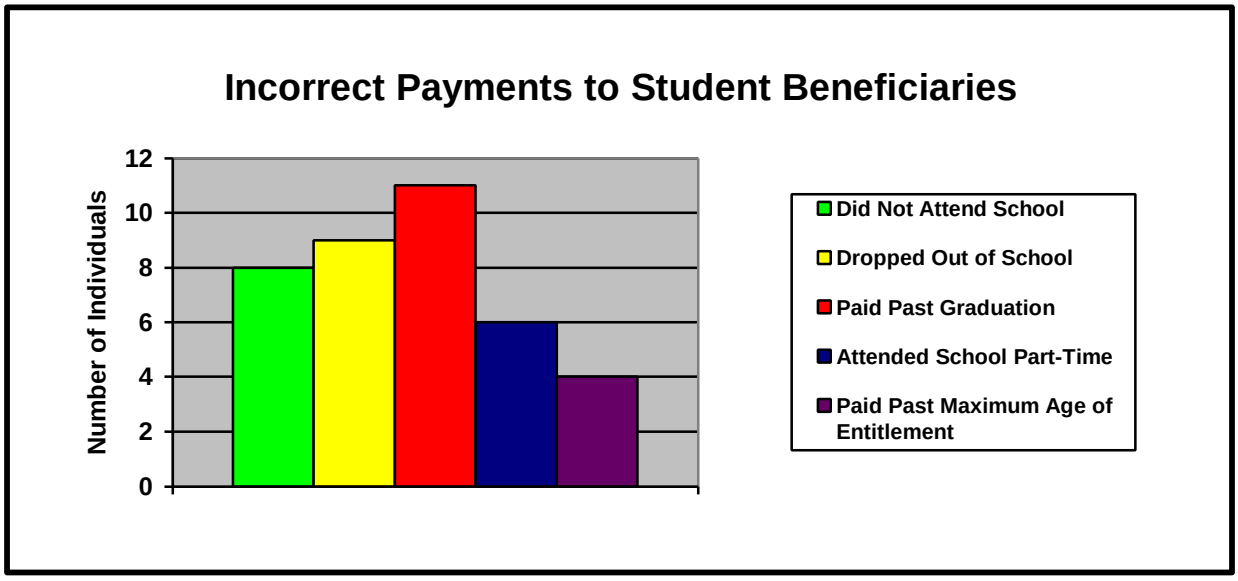
Note: The error rates from the sample are different than the projected rates for the population because the projections are weighted by calculating each stratum separately. Amounts may vary due to rounding.

[8] For illustrative purposes, the total projections represent the sum of the point estimates from each of the three unrestricted random samples. They do not represent the sum of the total estimated incorrect and unsupported payments over a specific period of time.

INCORRECT PAYMENTS TO STUDENT BENEFICIARIES

Of the 300 student beneficiaries in our 3 samples, we found that SSA had incorrectly paid benefits to 38 students (or 12.7 percent) who were not in school as required or were beyond the maximum age of entitlement. This occurred because SSA had not established an effective monitoring system to detect when students did not attend school on a full-time basis. In addition, SSA had not established automated controls to prevent overpayments resulting from clerical errors in determining the maximum age of entitlement for students. As a result, these individuals received student benefits for which they were not eligible.

A child of a beneficiary is entitled to Social Security benefits as a student if he or she is enrolled in a full-time elementary or secondary school upon reaching age 18 and has not completed the requirements for a diploma or equivalency certificate.[9] Based on our review of case folders and interviews with SSA and school officials, we determined that SSA improperly paid student benefits to 38 individuals in our 3 samples. A breakdown of the incorrect payments to these student beneficiaries is provided below.



These overpayments went undetected because of inadequate controls over the: (1) monitoring of students during the school year, (2) verification of student eligibility for benefits, and (3) payment of benefits beyond the maximum age of entitlement.

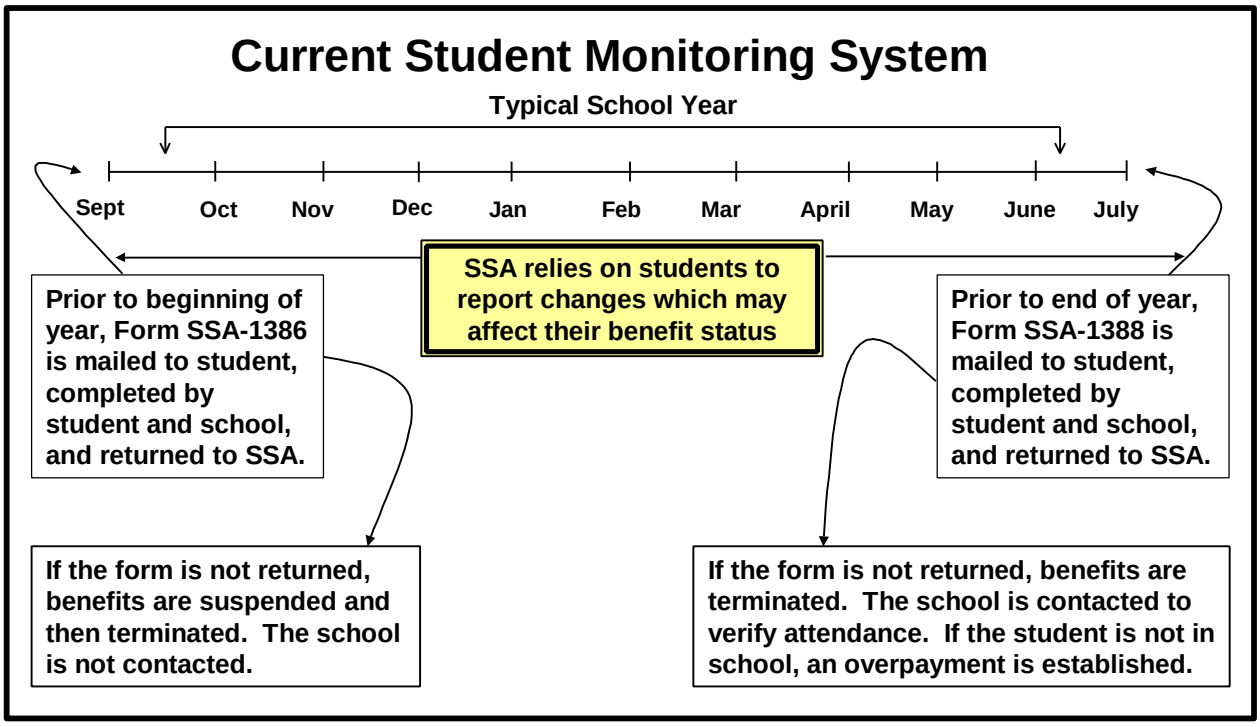
Monitoring of Students During the School Year

For 26 of the 38 incorrect payments, the individuals were eligible for student benefits but were overpaid because they graduated, dropped out or attended school part-time. This occurred because SSA did not adequately monitor the school attendance of these students during the school year. The individuals were ineligible because 11 were paid

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

benefits beyond graduation, 9 dropped out of school and 6 attended school on a part-time basis. SSA relies on beneficiaries to voluntarily report events which may affect their benefit status. Although these individuals were in school on a full-time basis at the beginning of the school year, we determined that they subsequently graduated, dropped out or attended school part-time without notifying SSA. As a result, these individuals were no longer entitled to receive student benefits.

Generally, SSA's student monitoring system covers the beginning and ending of the school year. As shown in the chart below, SSA does not provide ongoing monitoring of student attendance during the school year. We believe that SSA's monitoring system is reactive rather than proactive and is more likely to identify terminating events at the end of the school year instead of during the school year. Such a process may result in an increase in the number *and* amount of overpayments. For example, if a student begins school during the first week of September and drops out of school without informing SSA during the first week of October, our review disclosed that it is unlikely that SSA will become aware of the terminating event until after the end of the school year in June. By this time, SSA may have overpaid the student for 9 months of benefits. An overview of the current student monitoring system is depicted below.[10]



[10] Program Operations Manual System (POMS) sections SM 00604.750 and RS 00205.450.

Recommendations for Improvement of SSA's Monitoring System

We believe that SSA could make its monitoring system more proactive, thereby preventing or reducing the amount of overpayments to student beneficiaries. The current system places emphasis on the verification of student attendance with the students, not the schools. During our audit, we discussed a number of options for improving the student monitoring process with SSA officials from various Headquarters components in Baltimore, Maryland.[11] SSA officials informed us that they are currently in the process of redesigning the student monitoring system. There was general agreement between OIG and SSA that additional information was needed from the schools prior to awarding student benefits. This information would be used to confirm the statements made by individuals on their applications for student benefits.

In addition, SSA needs to request school officials to identify and report when student beneficiaries are no longer in school on a full-time basis as required. We believe that SSA may be able to obtain such assistance by sending a letter to school administrators shortly after students have been awarded Social Security benefits. This letter would explain the eligibility requirements of the student benefit program and seek voluntary assistance from the schools in identifying terminating events (e.g., student beneficiaries who drop out, graduate or attend school on a part-time basis). To assist school officials in reporting such events, SSA should include a standard form with a postage paid, return envelope. Alternatively, SSA could request school officials to call SSA's toll-free telephone number to report terminating events.

We also discussed the feasibility of shifting the responsibility for monitoring student beneficiaries from the PSCs to the field offices (FO). Currently, six PSCs and ODIO process student actions as part of their post-entitlement workload under the OASDI program. This workload is allocated based on Social Security numbers, not where the beneficiaries are living. For example, the PSC in Richmond, California, may be required to validate the attendance of students in New York. If personal interviews are necessary, the PSC must make arrangements with the appropriate FOs in New York to conduct the interviews. In addition, the PSC must inform the FOs about the nature and extent of the information needed from the students. This process can be time consuming and result in miscommunication between the PSCs, FOs and beneficiaries. However, there are more than 1,200 FOs available within geographic areas where both the students *and* schools are located. To improve the economy and efficiency of program operations, we believe the entire student monitoring process should be conducted by FOs located closest to the students, rather than by PSCs.

[11] Including, but not limited to, the Office of Program Benefits; the Office of Systems Requirements; the Office of Systems Design and Development; the Office of Public Services and Operations Support; the Office of Budget; the Office of Research, Evaluation and Statistics; and the Office of Workforce Analysis.

Verification of Student Eligibility for Benefits

For 8 of the 38 incorrect payments, the individuals were not in school on a full-time basis when they applied for student benefits. This occurred because SSA's controls over the validation of student eligibility for benefits were ineffective to detect and prevent these overpayments. SSA relies on beneficiaries to provide complete and accurate information on their applications for student benefits. Current procedures do not require SSA to validate the information on the applications with the schools. Although the eight individuals completed the Form SSA-1372 prior to reaching age 18, six were in school on a part-time basis, and two were not in school at all when they applied for student benefits. None of these individuals attended school on a full-time basis after reaching age 18. As a result, they were ineligible to receive any student benefits. We have referred these eight cases to the Office of Investigations (OI).

If student eligibility is not validated prior to reaching age 18, the resulting overpayments may be more costly to the Government because the individuals tend to be ineligible for a longer period of time. For example, because of inadequate monitoring, 26 individuals included in our audit were overpaid by an average of $2,105 over 5 months. However, because of unverified eligibility, eight individuals were overpaid by an average of $3,933 over 9 months.

We believe that acceptance of student information without independent verification compromises the propriety of the benefit payments and the integrity of the student entitlement process. Unless student eligibility is properly verified when they apply for benefits, the program is vulnerable to fraud, waste and abuse. SSA needs to take corrective action to reduce the potential for adverse publicity, legal challenges and monetary losses. Therefore, we recommend that SSA obtain information about student's attendance from the schools prior to awarding benefit payments. Such information is essential to corroborate the information provided by the students on their applications for benefits.

OI has received allegations about individuals who falsely certified their school attendance after reaching age 18 to receive student benefits. For example, one individual received Social Security benefits as the minor surviving child of her deceased father until June 1994, when she reached age 18 and was no longer eligible as a child beneficiary. To qualify for extended benefits, this individual falsified her application for student benefits to deceive SSA into believing that she still attended school on a full-time basis. However, she was never a full-time student after reaching age 18 and, therefore, was ineligible for extended benefits. Because her eligibility was not verified when she applied for student benefits, she received $7,410 in overpayments from June 1994 to May 1995. This individual was convicted in February 1999.

Payment of Benefits Beyond Maximum Age of Entitlement

For 4 of the 38 incorrect payments, the individuals were paid benefits beyond the maximum age of entitlement. This occurred because SSA had not established

automated controls to prevent overpayments resulting from clerical errors in determining the maximum age of entitlement for students. In addition, PSC employees misinterpreted POMS and believed that full-time students who reached age 19 during the school year were entitled to benefits until the end of the school year. This practice is not authorized under current procedures, and these individuals were no longer entitled to receive student benefits.

POMS states that:

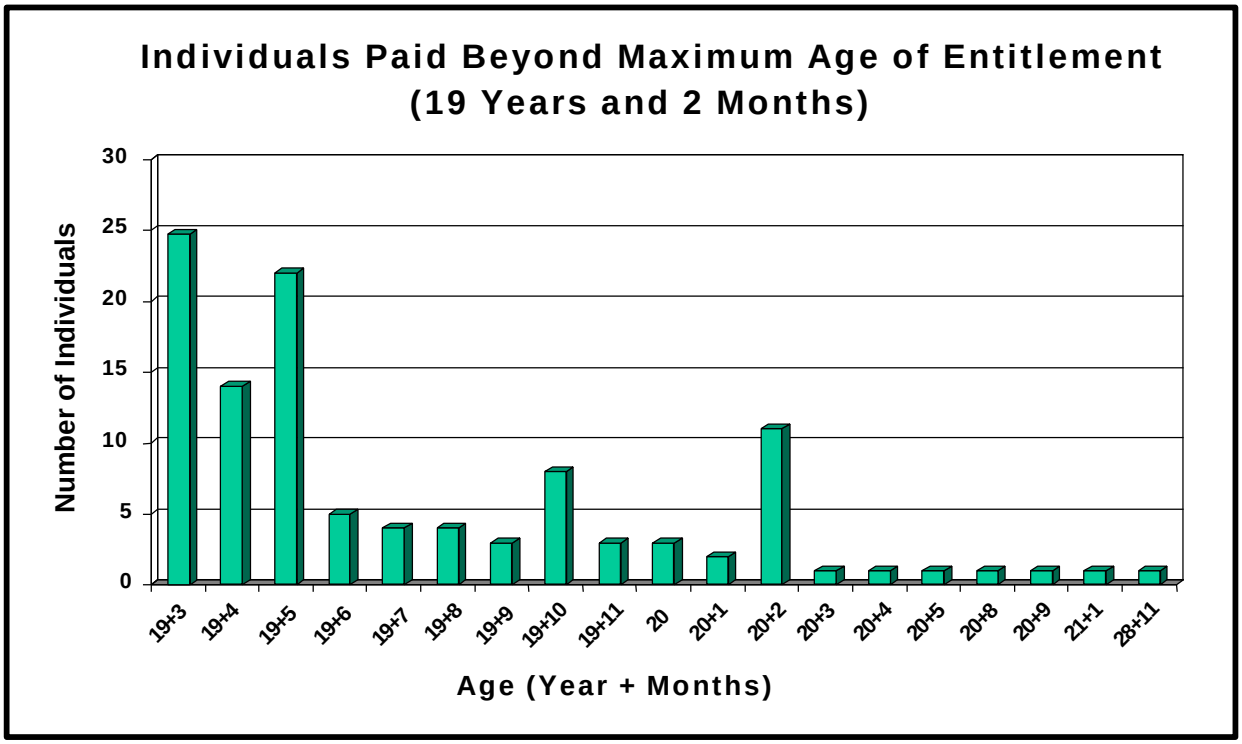
> *If the school the student is attending does not require enrollment each quarter or semester, student benefits end the earlier of:*
>
> - *the first day of the third month following the month in which he or she actually attained age 19, or*
> - *the first day of the month after the month the student completes the course in which he or she is enrolled.*
>
> *If the school the student is attending does require enrollment each quarter or semester, student benefits end the first day of the month after the month in which the quarter or semester in which the student is enrolled ends.*[12]

Based on our interviews with school officials, we determined that the four individuals in our three samples were enrolled in schools which did *not* require enrollment on a quarterly or semester basis. Accordingly, SSA should have terminated the benefit payments for these individuals when they reached age 19 years and 2 months. Nevertheless, the overpayments went undetected because SSA employees misinterpreted the provisions for determining the maximum age for entitlement to student benefits. Therefore, we recommend that SSA provide training and guidance to employees who monitor student beneficiaries to ensure that they fully understand the requirements of the Act for determining the maximum age of entitlement.

Additional Review of Students Paid Beyond 19 Years and 2 Months

Because of the lack of controls for detecting and preventing these overpayments, we conducted an additional review of students paid beyond age 19 years and 2 months. Using our data extract of 71,474 student beneficiaries who were in current pay status as of October 1, 1997, we identified 111 instances where benefits were paid to individuals beyond age 19 years and 2 months. Our review disclosed that these 111 individuals received total overpayments of $229,660. The ages of the individuals paid beyond the maximum age of entitlement is illustrated in the following graph.

[12] POMS section RS 00205.150.



There was one individual who received benefits for 9 years and 9 months beyond age 19 years and 2 months. This individual was born in January 1969 and reached age 19 years and 2 months in March 1988. However, she continued to receive student benefits until January 1998. During our audit, we referred this case to SSA for immediate action. By the time her benefits were terminated, this individual had reached age 28 years and 11 months and was overpaid by $48,007. We have referred this case to OI. For the remaining 110 cases, the individuals received benefits on the average of 5.3 months beyond the maximum age of entitlement. Their overpayments averaged $1,651.

In September 1998, we discussed this issue with SSA officials from OSR, OPB and OPSOS in Baltimore, Maryland. SSA officials agreed with our finding and took immediate corrective action. They attributed these errors to a systemic problem which allowed employees to manually override existing controls and establish a student record with an end-of-school-year date beyond the date that the student reached age 19 years and 2 months. As a result, SSA subsequently modified its automated data entry systems used to process transactions for student beneficiaries. These modifications preclude the entry of an end-of-school-year date that would exceed the date when a student reached age 19 years and 2 months.

We believe these modifications should prevent future occurrences of similar problems. Prior to the end of Fiscal Year (FY) 2000, we recommend that SSA test the modifications by performing a follow-up review to identify any students in current pay

status beyond age 19 years and 2 months. For each of these students, SSA should review the case to ensure that student benefits were not paid beyond the maximum age of entitlement.

UNSUPPORTED PAYMENTS TO STUDENT BENEFICIARIES

Of the 300 student beneficiaries in our 3 samples, we found that SSA was unable to support its decision to award student benefits to 44 individuals (or 14.7 percent). This occurred because SSA procedures require that documentation related to student beneficiaries be destroyed 120 days after processing.[13] Also, SSA had not retained sufficient information to otherwise support its basis for awarding student benefits. During our review, we attempted to identify the schools that these 44 individuals had attended but were unable to do so. We also attempted to contact the students, via letter and telephone, but were unsuccessful in our efforts.

Supporting documentation for SSA's decision to award student benefits should consist of applications for student benefits, beginning-of-school-year forms, and end-of-school-year forms. However, POMS states that student beneficiary reports, including related forms and documents, shall be destroyed 120 days from the date of processing. There are no provisions for the storage or retention of pertinent information (e.g., the name of the school) in SSA's computerized data bases. Without supporting documentation, we were unable to determine the propriety of the payments to 44 student beneficiaries in our 3 samples.

In addition, POMS requires PSCs to make direct contacts with schools if the end-of-school-year forms are not returned.[14] The purpose of the direct contact is to verify attendance of the students and establish overpayments as appropriate. However, our audit disclosed that SSA employees often cannot identify the schools to be contacted because the forms which contained the name of the schools were destroyed. As a result, PSCs may terminate benefits without further verification from student beneficiaries who did not return the end-of-school-year forms. Without supporting documentation, SSA employees may neither be able to make direct contacts with schools in accordance with POMS nor determine the proper amount of overpayments.

We discussed this issue with SSA's Headquarters and PSCs. In general, SSA officials informed us that the Agency is moving toward a "paperless" processing system in which transactions are processed without folders or documents. Such a system would not require the maintenance or storage of paper documents such as student forms and case folders. Consequently, SSA officials stated that the POMS criteria for student beneficiaries was consistent with the "paperless" initiative. Although we encourage SSA to modernize its management information systems, we do not believe that it alleviates the need to document and support claims and post-entitlement actions. If such information is not retained in paper form, then provisions for supporting documentation

[13] POMS section DG 00510.025.

[14] POMS section RS 00205.450.

should be made in electronic form (e.g., scanning documents or annotating the MBR). Otherwise, SSA cannot substantiate that student benefits were awarded in accordance with the Act. Therefore, we recommend that SSA institute a system for retention of school information to provide: (1) the supporting documentation for awarding student benefits, and (2) the necessary information for monitoring student beneficiaries.

CONCLUSIONS AND RECOMMENDATIONS

We projected the 38 incorrect payments and 44 unsupported payments to the 3 populations totaling 270,119 student beneficiaries. We estimated that 30,991 (or 11.5 percent) of these individuals received payments to which they were not entitled. Also, we were unable to determine the propriety of payments to an additional 35,950 (or 13.3 percent) of these individuals. The incorrect payments occurred because SSA had not established an effective monitoring system to detect when students were not attending school on a full-time basis. In addition, SSA had not established automated controls to prevent overpayments resulting from clerical errors in determining the maximum age of entitlement for students. The unsupported payments occurred because SSA procedures require that documentation related to student beneficiaries be destroyed 120 days after processing. Also, SSA had not retained sufficient information to otherwise support its basis for awarding student benefits. Based on our projections, we estimated that the incorrect and unsupported payments amounted to $73.9 and $140.4 million, respectively (see Appendix B).

SSA officials informed us that they are currently in the process of redesigning the student monitoring system. We believe that SSA needs to implement a more proactive monitoring system and retain supporting documentation for student beneficiaries. This system should provide for timely identification of events that affect the entitlement of individuals to student benefits, thereby reducing the amount of overpayments to ineligible beneficiaries. Such a system should also reduce the vulnerability of the Agency to individuals who misrepresent their intentions of returning to school in order to continue receiving Social Security benefits. Specifically, we recommend that SSA:

1. Request assistance from school officials in identifying and reporting changes in student attendance which may affect their benefit status.

2. Evaluate the feasibility of shifting the responsibility for monitoring student beneficiaries from the PSCs to the FOs.

3. Obtain additional information from schools about student attendance prior to awarding benefit payments.

4. Provide training and guidance to SSA employees who monitor student beneficiaries to ensure that they fully understand the requirements of the Act for determining the maximum age of entitlement.

5. Perform a follow-up review to identify all students in current pay status beyond age 19 years and 2 months prior to the end of FY 2000. For each of these students, review the case to ensure that appropriate actions were taken to terminate benefits and establish overpayments.

6. Retain school information to provide: (1) the supporting documentation for awarding student benefits, and (2) the necessary information for monitoring student beneficiaries.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. As a result of our audit, SSA further agreed to accelerate its ongoing efforts to redesign the student monitoring system. SSA stated that it is currently in the process of (1) testing different methods of approaching schools for assistance in monitoring student attendance, (2) preparing a letter to request information from schools prior to awarding benefits and during the school year, and (3) developing instructions to implement these changes in calendar year 2000. SSA added that it would evaluate the feasibility of retaining additional school information and shifting the student workload from PSCs to FOs during the redesign.

SSA acknowledged that systems modifications have already been implemented to preclude benefit payments beyond the maximum age of entitlement. SSA also stated that it would perform a follow-up review by the end of FY 2000 to ensure the effectiveness of these modifications and issue additional instructions to its employees within 90 days.

In addition, SSA provided technical comments that have been considered and incorporated, where appropriate, in this final report. The full text of SSA's comments is included in Appendix C.

OIG RESPONSE

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

APPENDICES

ACRONYMS

FO	Field Office
FY	Fiscal Year
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
ODIO	Office of Disability and International Operations
POMS	Program Operations Manual System
PSC	Program Service Center
SSA	Social Security Administration

SAMPLING METHODOLOGY

We obtained a data extract from the Master Beneficiary Record (MBR) of 71,474 student beneficiaries in current pay status as of October 1, 1997. These cases were identified with a payment status code of "C" on the MBR. In addition, we obtained two data extracts from the MBR of students whose benefits were terminated between September 1996 and August 1997. The first of these extracts contained 141,944 students whose benefits were terminated because they did not attend school. These cases were identified with a payment status code of "T6" on the MBR. The second extract contained 56,701 students whose benefits were terminated because they reached age 19. These cases were identified with a payment status code of "T4" on the MBR. The following table provides information about the student beneficiaries in our three populations.

Table 1 – Population Description

Population	Population Count	Population Dollars
Current	71,474	$301,728,664
T6	141,944	$373,432,546
T4	56,701	$259,954,592
Total	**270,119**	**$935,115,802**

We selected a total of 300 cases for review. We randomly sampled 100 cases from each of the 3 data extracts (i.e., students in current, "T6," and "T4" payment status) obtained from the MBR. We reviewed each case to determine the propriety of benefits awarded to the students and the adequacy of support for the benefit payments. The following tables provide the details of our sampling results and statistical projections.

Table 2.1 – Sample Results
Overpayments

Population	Sample Size	Error Count	Error Dollars
Current	100	12	$28,539
T6	100	9	$19,504
T4	100	17	$45,546
Total	**300**	**38**	**$93,589**

Table 2.2 – Statistical Projection of Sample Results
Number of Overpayments

90 Percent Confidence Level			
Description	**Current**	**T6**	**T4**
Point Estimate[15]	8,577	12,775	9,639
Lower Limit	5,056	6,780	6,313
Upper Limit	13,375	21,544	13,833

Table 2.3 – Statistical Projection of Sample Results
Amount of Overpayments

90 Percent Confidence Level			
Description	**Current**	**T6**	**T4**
Point Estimate[16]	$20,397,965	$27,684,758	$25,825,037
Lower Limit	$8,539,009	$10,150,281	$13,993,268
Upper Limit	$32,256,920	$45,219,235	$37,656,807
Precision Amount	$11,858,956	$17,534,477	$11,831,770

Table 3.1 – Sample Results
Unsupported Payments

Population	Sample Size	Error Count	Error Dollars
Current	100	11	$41,770
T6	100	11	$28,874
T4	100	22	$122,608
Total	**300**	**44**	**$193,252**

Table 3.2 – Statistical Projection of Sample Results
Number of Unsupported Payments

90 Percent Confidence Level			
Description	**Current**	**T6**	**T4**
Point Estimate[17]	7,862	15,614	12,474
Lower Limit	4,499	8,933	8,728
Upper Limit	12,541	24,909	16,951

[15] For illustrative purposes, the total number of overpayments (30,991) represents the sum of the point estimates from each of the three unrestricted random samples.

[16] For illustrative purposes, the total amount of overpayments ($73,907,760) represents the sum of the point estimates from each of the three unrestricted random samples.

[17] For illustrative purposes, the total number of unsupported payments (35,950) represents the sum of the point estimates from each of the three unrestricted random samples.

Table 3.3 – Statistical Projection of Sample Results
Amount of Unsupported Payments

90 Percent Confidence Level			
Description	**Current**	**T6**	**T4**
Point Estimate[18]	$29,854,690	$40,984,911	$69,519,962
Lower Limit	$11,577,917	$18,002,755	$44,127,236
Upper Limit	$48,131,463	$63,967,067	$94,912,688
Precision Amount	$18,276,773	$22,982,156	$25,392,726

[18] For illustrative purposes, the total amount of unsupported payments ($140,359,563) represents the sum of the point estimates from each of the three unrestricted random samples.

AGENCY COMMENTS

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