

**Review of Procedures for Controlling
Survivor Child Age Attainments
Report No. 98-19, August 25, 1998**

Background

The Railroad Retirement Act Section 2(d)(1) provides for the payment of an annuity to survivors of a deceased employee. The employee must have ten years of service and a current connection with the railroad industry.

Annuities are payable to surviving widow(er)s, unmarried children and certain other dependents. Survivor annuities are payable to: (a) a child under age 18 and (b) a child age 18 in full-time attendance at an elementary or secondary school. If a student is in full-time attendance at age 19, benefits remain payable until the earliest of completion of the course in which he or she was enrolled when age 19 was reached, cessation of full-time attendance, or three months after attainment of age 19. A full-time student is defined as being enrolled for at least 20 hours per week in a course of study lasting at least 13 weeks.

Survivor child and student annuities are terminated for age attainment through Survivor Electronic Attainment (SURVEA) processing and examiner control. SURVEA identifies survivor annuitants nearing age attainment from a tape file of dates of birth on the Payment Rate Entitlement History (PREH) database as of the end of each month.

SURVEA processing includes mechanical termination transactions, letters and referrals. Termination transactions and annuitant letters are generated for child annuitants attaining age 18 in four months and student annuitants attaining age 19 in four months. The transactions terminate benefits upon the effective ending date. The letters serve as notification to annuitants that his or her benefits will be terminated upon the effective ending date. SURVEA also produces internal referrals on a monthly basis of child annuitants attaining age 18 in two months and student annuitants attaining age 19 in one month. The Policy and Systems Section in the Office of Programs ensures these annuities are terminated.

For child annuities awarded within four months of age 18 or student annuities reinstated after age 19, examiners in the Office of Programs are responsible for terminating benefits. The examiner creates a reminder notice to terminate benefits when processing an annuity and creates a termination transaction after entitlement ends.

The Bureau of Information Services' Statistical Services Section identifies child annuities in pay status after age 18 and student annuities in pay status more than three months after age 19. These annuities are referred to examiners for benefit termination or annuity type correction from child to student, child to disabled child or student to disabled child.

The RRB's 1997-2002 Strategic Plan and fiscal year 1999 Annual Performance Plan provide that the RRB ensure the integrity of benefit programs through comprehensive and

integrated monitoring and prevention programs. This audit addresses this area of agency performance.

Scope and Methodology

The objective of the review was to determine the effectiveness of procedures for controlling survivor child age attainments.

We limited testing to determining that child annuities were terminated by age 18 attainment and student annuities were terminated by three months after age 19 attainment. Other student benefit overpayments were reviewed in OIG Report No. 98-09 entitled, "Review of Procedures to Prevent Student Benefit Overpayments."

We accomplished the objective by:

- reviewing applicable laws and regulations;
- reviewing applicable agency procedures;
- interviewing RRB personnel;
- verifying the accuracy and completeness of the 1,142 child and the 224 student referrals on SURVEA listings from October 1996 through April 1998;
- identifying 1,180 child and 239 student annuitants who attained age 18 and 19 from annuities on PREH in current pay status as of April 3, 1998 and suspended or terminated as of April 6, 1998, and SURVEA referrals from October 1996 through April 1998;
- verifying that 1,180 child and 239 student annuities were timely terminated;
- reviewing annuity folder and/or RRB database information for 104 annuities paid after age attainment or without a SURVEA referral; and
- verifying dates of birth on PREH to annuity folder documentation for a random sample of 30 from the 4,101 annuities in current pay status.

We conducted this review in accordance with generally accepted government auditing standards appropriate to the objective described above. Fieldwork was performed during April 1998 through August 1998 at RRB headquarters in Chicago, Illinois.

Results of Review

RRB procedures for controlling survivor child age attainments are generally effective. Annuities were terminated by the last day of age entitlement for 98.9 percent of children and 96.2 percent of students. SURVEA processing accurately identified child and student annuities in pay status two months prior to age attainment and timely terminated these annuities. The dates of birth documented in annuity folders were accurately reflected on the payment rate entitlement history database.

Examiner error, however, in controlling child annuities placed into pay status after SURVEA processing and student annuities reinstated after age 19 resulted in incorrect payments of \$34,800. In addition, the OIG requested that the RRB terminate annuities for

age attainment preventing \$7,600 in additional incorrect payments for the period May 1998 through September 1998.

Improvements can be made in the areas described below.

Child Benefits Paid After Age 18 Attainment

Examiners did not properly control 13 child annuities for timely termination resulting in the RRB paying child benefits after age 18 attainment.

Of 1,180 child annuitants, SURVEA processing timely terminated all 1,142 in pay status two months prior to age 17 and 11 months.

Of the other 38 annuitants placed into pay status after SURVEA processing, examiners timely terminated 25. For the remaining 13 annuitants, examiner control did not produce a timely termination because examiners did not create a reminder notice. This resulted in the RRB incorrectly paying child benefits of \$22,000. For three of these annuities, the OIG requested that the RRB terminate benefits preventing additional incorrect payments of \$3,000.

Procedures should ensure survivor child annuities are terminated by age 18 attainment.

Recommendation No. 1

The Director of Programs should revise procedures to have examiners enter a termination transaction when payment records are created for child annuities placed into pay status within three months of age 18 attainment to ensure benefits are terminated in a timely manner.

Management's Response

Management concurred with the recommendation. Policy and Systems will revise procedure by September 30, 1998. Assessment and Training will provide training within 30 days of procedure revisions.

Reinstated Student Benefits Paid More Than Three Months After Age 19

Examiners did not properly control nine student annuities for termination by three months after age 19.

For the period October 1996 through April 1998, student annuity benefits were reinstated for 104 students after age 19 termination. Examiners terminated 95 of the reinstated annuities by three months after age 19. In the remaining nine annuities, examiner control did not produce a timely termination because examiners did not create a reminder notice. This resulted in the RRB incorrectly paying student benefits of \$12,800. For three of these

annuities, the OIG requested that the RRB terminate benefits preventing additional incorrect payments of \$4,600.

Procedures should ensure surviving student annuities are terminated by three months after age 19 attainment.

Recommendation No. 2

The Director of Programs should revise procedures to have examiners enter a termination transaction when reinstating student benefits after age 19 to ensure benefits are terminated in a timely manner.

Management's Response

Management concurred with the recommendation. Policy and Systems will revise procedure by September 30, 1998. Assessment and Training will provide training within 30 days of procedure revisions.