



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 3, 2007

### **S. 2324**

#### **Inspector General Reform Act of 2007**

*As ordered reported by the Senate Committee on Homeland Security  
and Governmental Affairs on November 14, 2007*

#### **SUMMARY**

S. 2324 would amend the Inspector General Act of 1978. In general, the legislation would strengthen the independence of inspectors general (IGs) from their respective federal agencies. The bill would:

- Require Congressional notification on the removal of an inspector general;
- Expand the reporting requirements for IG budget requests;
- Require IGs to have their own legal counsel;
- Establish an IG Council;
- Provide IGs with some additional investigative, law enforcement, and personnel authorities and require additional reports by IGs and the Government Accountability Office (GAO).

CBO estimates that implementing S. 2324 would cost \$83 million over the 2008-2012 period, assuming the appropriation of the necessary funds. The legislation could affect direct spending and revenues, but CBO estimates that any such effects would be negligible.

S. 2324 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budget of state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2324 is shown in the following table. The costs of this legislation fall within budget function 800 (general government) and all other budget functions where federal agencies employ inspectors general.

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Inspector General Authorities					
Estimated Authorization Level	6	12	12	12	12
Estimated Outlays	6	11	12	12	12
Council of Inspectors General on Integrity and Efficiency					
Estimated Authorization Level	5	5	5	5	5
Estimated Outlays	4	5	5	5	5
Pay Provisions					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Other Provisions					
Estimated Authorization Level	1	*	0	0	0
Estimated Outlays	1	*	0	0	0
Total Changes					
Estimated Authorization Level	13	18	18	18	18
Estimated Outlays	12	17	18	18	18
Note: * = less than \$500,000.					

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of calendar year 2007, that the necessary funds will be provided for each year, and that spending will follow historical patterns for similar activities.

The Inspector General Act of 1978 created independent offices headed by inspectors general responsible for conducting and supervising audits and investigations; promoting economy, efficiency, and effectiveness; and preventing and detecting fraud and abuse in government

programs and operations. There are two types of IGs. There are 30 IGs who are appointed by the President with Senate confirmation (known as Presidential IGs), half of whom serve the 15 cabinet departments. Another 34 IGs serve as designated federal entity (DFE) IGs at smaller agencies and are appointed (and may be removed) by the head of the agency. The Government Accountability Office reported that IGs had appropriated budgets of almost \$2 billion in 2006 and employ over 12,000 employees.

## **Spending Subject to Appropriation**

**Inspector General Authorities.** Under current law, many IG activities come under the purview of the agency they oversee. The budgets for IG activities are included as part of the agency's overall budget request to the Congress, with funding determined by the Congress through the appropriations process. Personnel matters, including hiring and retirement issues, are handled by each IG's agency. IGs at some of the larger agencies have independent law enforcement authorities, such as carrying firearms and executing warrants for arrests; those at smaller agencies are usually deputized by the U.S. Marshall Service to perform such functions. In addition, IGs issue semi-annual reports on their activities and operations.

S. 2324 would amend existing law to make all IG offices separate agencies with the same powers and duties as the agency they monitor and investigate. IGs would be authorized to submit specified budget requests to OMB that would include their requests, the President's request, training requirements, and the funding needs of the IG council. The legislation would also require IGs to have their own legal counsel as well as additional reporting requirements for IGs and their websites. Under S. 2324, IGs would be given additional personnel authorities, including more flexible hiring authorities. In addition, S. 2324 would provide new law enforcement authorities to IGs appointed by agency heads, including the ability to carry firearms and execute warrants.

Based on information from IG offices and the cost of similar authorities, CBO estimates that those provisions would cost \$53 million over the 2008-2012 period, mostly for additional personnel costs. CBO expects that few IG offices would become wholly independent of the administrative support their agencies, but most would require additional personnel, especially the smaller IG offices. This estimate includes the cost of additional staff, training for budget and human resources functions, Web site development, as well as additional law enforcement training.

**Council of Inspectors General on Integrity and Efficiency.** Currently, there are two advisory councils for IG functions: inspectors general appointed by the President are members of the President's Council on Integrity and Efficiency (PCIE), while DFE IGs are

members of the Executive Council on Integrity and Efficiency (ECIE). The two councils were created by Presidential Executive Orders and usually meet separately. They receive no specific appropriation but are funded by the various IGs on an ad hoc basis.

S. 2324 would establish a single council with duties and functions similar to the PCIE and ECIE. It would charge the new council with identifying, reviewing, and discussing areas of weakness and fraud in federal operations and programs; developing plans for coordinated governmentwide activities that address those problems; developing policies and professional programs for IG personnel; and investigating allegations against IGs. Based on information from PCIE and ECIE regarding their current operations, CBO estimates that implementing this provision would cost \$25 million over the 2008-2012 period, primarily for the cost of professional training for IGs.

**Pay Provisions.** Section 4 would amend the Inspector General Act of 1978 to raise the annual salary level of 31 IGs specified in the legislation from Level IV to Level III of the executive schedule plus an additional 3 percent. The bill would set a minimum level of pay for IGs of designated federal entities at the average level of total compensation received by senior level staff members at those entities. In addition, section 5 would prohibit payment of cash awards and bonuses to IGs.

Based on data and information provided by the Office of Personnel Management, CBO estimates that increasing the pay for IGs would cost \$4 million over the 2008-2012 period, subject to the availability of appropriated funds.

**Other Provisions.** The legislation would require GAO to prepare two reports within one year on the practices, policies, and procedures of the IG council and the pay of IGs. Based on the cost of similar reports, CBO estimates that preparing and distributing the report would cost about \$1 million over the 2008-2009 period.

## **Direct Spending and Revenues**

A few IGs are employed by offices that have direct spending authority to pay salaries and expenses. Amendments made by S. 2324 would have an insignificant impact on spending by those offices. Enacting S. 2324 could affect federal revenues from civil penalties as a result of allowing IGs appointed by their agency heads to investigate and report false claims and recoup losses resulting from fraud involving amounts under \$150,000. Collections of civil penalties are recorded in the budget as revenues and deposited in the general fund of the Treasury. Based on information from Presidential IGs, CBO estimates that any change in revenues that would result from enacting the bill would not be significant.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 2324 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budget of state, local, or tribal governments.

## **PREVIOUS CBO ESTIMATE**

On September 27, 2007, CBO transmitted a cost estimate for H.R. 928, the Improving Government Accountability Act, as ordered reported by the House Committee on Oversight and Government Reform on August 2, 2007. The two pieces of legislation have similar provisions relating to IGs, but S. 2324 has additional personnel and reporting requirements. The cost estimates reflect those differences.

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