CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 12, 2016

S. 2133
Fraud Reduction and Data Analytics Act of 2015

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on October 7, 2015

S. 2133 would require federal agencies to report on their efforts to assess and combat fraud and improper payments in each of the next three years. In addition, the legislation would require the Office of Management and Budget (OMB) to set up a working group to establish best practices for preventing fraud and improper payments and for sharing analytical information among federal agencies.

The Federal Managers' Financial Integrity Act requires agencies to establish and maintain internal controls to ensure federal programs operate efficiently, effectively, and in compliance with relevant laws. The Government Accountability Office (GAO) issues financial control standards for the federal government through the *Standards for Internal Control in the Federal Government* (known as the Green Book). Additionally, OMB establishes specific requirements for assessing and reporting on financial controls used by the federal government. The standards in the most recent Green Book include methods for assessing the risk of fraud.

Based on information from GAO and OMB, CBO expects that implementing the bill would increase the administrative costs of each major federal agency by roughly $50,000 annually primarily to prepare reports for the Congress for three years. Because there are about 25 major agencies, CBO estimates that implementing S. 2133 would cost about $4 million over the 2016-2020 period, including funds to operate the proposed working group. Such spending would be subject to the availability of appropriated funds.

Under S. 2133, agencies would be required to undertake additional efforts to detect fraud and improper payments that will not be undertaken under current law. Such efforts could result in cost savings to some agencies, but could also lead to additional costs to correct financial systems. CBO has no basis for estimating the magnitude of either increases in the recovery of fraudulent payments or costs to correct financial systems.

Enacting S. 2133 also could affect direct spending by some agencies (such as the Tennessee Valley Authority) because they are authorized to use receipts from the sale of goods, fees, and other collections to cover their operating costs. Therefore, pay-as-you-go procedures apply. Because most of those agencies can make adjustments to the amounts collected as operating costs change, CBO estimates that any net changes in direct spending by those agencies would not be significant. Enacting the bill would not affect revenues.

CBO estimates that enacting S. 2133 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

S. 2133 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.