



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 11, 2012

H.R. 4053 **Improper Payments Elimination and Recovery Improvement Act of 2012**

*As ordered reported by the House Committee on Oversight and Government Reform
on September 20, 2012*

H.R. 4053 would amend federal law to require agencies to make additional efforts to identify, recover, and prevent improper payments. Improper federal payments include several kinds of erroneous disbursements, such as overpayments, underpayments, payments that were not adequately documented, and fraudulent payments. Under the legislation, the Office of Management and Budget (OMB), federal agencies, and their inspector generals would have additional responsibilities to better manage payment practices and reduce the incidence of improper payments. In addition, H.R. 4053 would make changes to the data-sharing protocols among federal agencies to facilitate the identification of improper payments.

CBO estimates that implementing H.R. 4053 would have no significant cost over the next five years. The bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net increase in spending by those agencies would not be significant. Enacting H.R. 4053 would not affect revenues.

Most of the provisions of the bill would codify and expand current practices of the federal government. Executive Order 13520 and various Presidential memorandums have directed OMB and agencies to take steps to reduce improper payments. OMB has already drafted guidance on improper payments and created a Do-Not-Pay list. Consequently, CBO estimates that the additional responsibilities and reporting requirements to implement this bill would neither significantly increase administrative costs to federal agencies nor generate any significant incremental savings.

H.R. 4053 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.

On April 20, 2012, CBO transmitted a cost estimate for S. 1409, the Improper Payments and Recovery Improvement Act of 2011, as ordered reported by the Senate Committee on

Homeland Security and Governmental Affairs on October 19, 2011. Both pieces of legislation address improper payments but have different provisions. The Senate bill includes a requirement for agencies to operate Recovery Audit Contracting programs, but that provision is not included in H.R. 4053.

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