



United States
General Accounting Office
Washington, D.C. 20548

160797

Accounting and Information
Management Division

B-280339

July 10, 1998

The Honorable Peter Hoekstra
Chairman, Subcommittee on
Oversight and Investigations
Committee on Education and the Workforce
House of Representatives

Subject: Department of Labor: Obligations by Object Class

Dear Mr. Chairman:

This letter responds to your request for information on the composition of the Department of Labor's obligations by object class and for information on discretionary grants for fiscal year 1997. In addition, as agreed with your office, this letter explains the limitations of using object class data to analyze administrative expenses.

The data in this letter were extracted from automated information collected and maintained by the Office of Management and Budget (OMB) as part of its process to develop the President's fiscal year 1999 budget submission. A more detailed discussion of our methodology is contained in enclosure 1. We did not independently verify these data but did reconcile total obligations for the agency to a source published by OMB.

We conducted our work during June 1998 in accordance with generally accepted government auditing standards.

160797

BACKGROUND

In fiscal year 1997, the Department of Labor obligated \$38.8 billion. These obligations occurred in 20 different budget accounts.¹ (See enclosure 2 for a complete list of budget accounts within the Department of Labor.) One of the ways the data in these accounts are arrayed is by object classification structure, which emphasizes the objects or items of expense—such as personnel compensation, equipment, or contractual services—rather than the results or goals of government expenditures. A complete list of object class codes and their descriptions is contained in enclosure 3.

The Budget Enforcement Act of 1990 (BEA) sought to control federal spending by establishing two different categories of federal spending, which are controlled differently. Discretionary spending is defined as spending that arises from appropriations laws and is controlled through annual caps. This category would typically include spending for salaries and operating expenses as well as spending for programs that require annual appropriations. In contrast, mandatory spending is spending that is controlled through authorizing laws, which define eligibility or set benefit or payment rules. Mandatory spending is generally for entitlement programs, such as unemployment insurance, food stamps, Medicare, Social Security, or veterans' pensions. There are no caps on mandatory spending, and spending is allowed to change based on changes in economic conditions or the number of beneficiaries.

The Department of Labor has both mandatory and discretionary accounts. Of its 20 accounts, 12 are discretionary, 5 are mandatory, and 3 have a mix of mandatory and discretionary spending. Accounts, such as the unemployment trust fund, are generally classified as mixed when they include benefit payments and the associated administrative expenses. Enclosure 2 shows the classification for all of the department's accounts.

OBLIGATIONS BY OBJECT CLASS SERIES AND TYPE OF ACCOUNT

In fiscal year 1997, about 30 percent of the Department of Labor's reported obligations were for grants, subsidies, and contributions (see table 1), and about 60 percent were for the payment of insurance claims and indemnities (mostly

¹A budget account is any item for which appropriations are made in an appropriation act or that has a unique budget account identification code in the President's budget. For further information on budget accounts, see Budget Account Structure: A Descriptive Overview (GAO/AIMD-95-179, September 18, 1995).

unemployment insurance). Enclosure 4 provides a more detailed breakout of departmentwide obligations.

As shown in table 1, most of the grant obligations were in discretionary accounts and most of the insurance obligations were in accounts that contained both mandatory and discretionary components. As shown in enclosure 5, nearly all of the \$8.2 billion of the discretionary grant obligations occurred within the Employment and Training Administration.

Table 1: Department of Labor, Reported Obligations by Object Class Series, Fiscal Year 1997

(Dollars in millions)

	Discretionary	Mandatory	Mixed	Total	Percent of total
10: Personnel compensation and benefits	1,026	0	68	1,094	2.8
20: Contractual services and supplies	806	56	252	1,114	2.9
30: Acquisition of capital assets	47	4	7	58	0.1
41: Grants, subsidies, and contributions	8,227	349	3,293	11,869	30.6
42: Insurance claims and indemnities	0	2,374	21,753	24,127	62.3
50: Interest and other	6	486	3	495	1.3
Total	10,112	3,269	25,376	38,757	100.0

Source: Office of Management and Budget. We did not independently verify this information.

DIFFICULTIES IN USING OBJECT CLASS DATA TO ANALYZE ADMINISTRATIVE EXPENSES

Object class data can be easily misunderstood. Because object classes group obligations according to the articles procured rather than the services provided, any conclusion about end results can be misleading. For example, reported equipment obligations (object class 31) do not necessarily represent total equipment purchases within a budget account; an agency could obtain similar items as "contractor-furnished equipment" under an existing contract and properly record the obligation against consulting and other services (object class 25). Similarly, obligations against object class 25 may not capture the full extent of expert consultant services within an account. Agencies could also

B-280339

obtain an expert consultant through a term appointment, with the obligation properly recorded as personnel compensation (object class 11), or through a grant, if the grantee hires the consultant (object class 41).

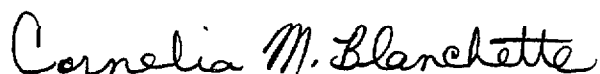
A second difficulty in doing object class analysis is that there is no distinction made between administrative expenses and "program-related" expenses that are allocated to the same object class. For example, although travel (object class 21) is generally considered to be administrative, there are types of travel that would be considered program-related (e.g., OSHA inspectors traveling during an investigation or National Transportation Safety Board investigators traveling to a crash site).

We will make copies of this letter available to others upon request. Please contact me on (202) 512-9573 if you or your staff have any questions. This report was prepared by John Mingus, Senior Evaluator, under the direction of Denise Fantone, Assistant Director.

Sincerely yours,



Paul L. Posner
Director, Budget Issues



Cornelia M. Blanchette
Associate Director, Education and Employment Issues
Health, Education and Human Services Division

Enclosures

METHODOLOGY

We obtained automated data from OMB to develop the object class summaries presented in this report.² We extracted and accumulated obligation data at the budget account level from the fiscal year 1999 budget submission, which contains the fiscal year 1997 reported actual obligation data. We aggregated these data into an object class trend file, summarized by object class series and individual object classes. (A complete list of object class codes and their descriptions is contained in enclosure 3.) Although we did not verify these data at the individual budget account level, we reconciled total obligations for the agency to the amount in Object Class Analysis, Budget of the United States Government, Fiscal Year 1999 published by OMB as part of the President's budget submission.

In order to determine if an account was mandatory or discretionary for purposes of the data in enclosures 4 and 5, we had to rely on another data series in the OMB system because the object class data are not coded in that fashion. Instead, we assumed that the obligations were coded in the same manner as the budget authority for that account. Thus, if all of the budget authority associated with an account was mandatory or discretionary, then the obligations were recorded the same way. For those accounts with both mandatory and discretionary budget authority, we simply classified the account as a mixed account because it is impossible to determine how to split the obligations into mandatory and discretionary amounts.

²As part of their annual budget submission to OMB, departments and agencies are required to report object class obligations. OMB collects and processes this information through the MAX budget system (formerly called the Budget Preparation System), which is used to prepare the President's annual budget request.

DEPARTMENT OF LABOR BUDGET ACCOUNT STRUCTURE

Bureau	Account	Classification	Acct ID
Bureau of Labor Statistics			
	Salaries and expenses	Discretionary	16-0200
Departmental Management			
	Office of the Inspector General	Discretionary	16-0106
	Salaries and expenses	Discretionary	16-0165
	Working capital fund	Discretionary	16-4601
Employment Standards Administration			
	Black lung disability trust fund	Mandatory	20-8144
	Panama Canal Commission compensation fund	Mandatory	16-5155
	Salaries and expenses	Discretionary	16-0105
	Special benefits	Mandatory	16-1521
	Special workers' compensation expenses	Mixed	16-9971
Employment and Training Administration			
	Advances to the unemployment trust fund and other funds	Mandatory	16-0327
	Community service employment for older Americans	Discretionary	16-0175
	Federal unemployment benefits and allowances	Mandatory	16-0326
	Program administration	Discretionary	16-0172
	State unemployment insurance and employment service operations	Discretionary	16-0179
	Training and employment services	Discretionary	16-0174
	Unemployment trust fund	Mixed	20-8042
Mine Safety and Health Administration			
	Salaries and expenses	Discretionary	16-1200
Occupational Safety and Health Administration			
	Salaries and expenses	Discretionary	16-0400
Pension Benefit Guaranty Corporation			
	Pension benefit guaranty corporation fund	Mixed	16-4204
Pension and Welfare Benefit Administration			
	Salaries and expenses	Discretionary	16-1700

Source: Office of Management and Budget.

OMB OBJECT CLASSIFICATIONS

Object Class	Name	Examples of Obligations
Personal Services and Benefits		
11	Personnel compensation	Gross compensation for personal services rendered to the government by federal civilian, military, and nonfederal personnel
12	Personnel benefits	Benefits for currently employed federal civilian, military, and certain nonfederal personnel
13	Benefits for former personnel	Retirement benefits, severance pay, and other benefits due to former employees or their survivors
Contractual Services and Supplies		
21	Travel and transportation of persons	Transportation, subsistence, and other expenses incident to authorized travel, paid either directly by the government or by reimbursing the traveler
22	Transportation of things	Contractual obligations for, care during, and other services incident to the transport of things
23	Rent, communications, and utilities	Charges for the possession and use of land, structures, or equipment owned by others, and for communication and utility services
24	Printing and reproduction	Charges for contractual printing and reproduction, and related composition and binding expenses
25	Consulting and other services	Contractual obligations for consulting (advisory and assistance) and other services; purchase of goods and services from other federal agencies and accounts; operations of government-owned, contractor-operated facilities; and research and development contracts
26	Supplies and materials	Charges for consumable commodities
Acquisition of Capital Assets		
31	Equipment	Charges for the purchase of personal property expected to have a period of service of a year or more (e.g., furniture, tools and instruments, machinery, data processing and telecommunications equipment, and armaments)
32	Land and structures	Charges for purchase of land, buildings and other structures, and nonstructural improvements; payments from credit liquidating accounts that result in the acquisition of a physical asset rather than a loan asset
33	Investments and loans	Obligations for the purchase of stocks, bonds, debentures, and other securities; payments from credit liquidating accounts resulting in the government acquiring title to a note rather than physical assets

Object Class	Name	Examples of Obligations
Grants and Fixed Charges		
41	Grants, subsidies, and contributions	Cash payments to foreign countries, states, other political jurisdictions, corporations, associations, and individuals; credit program subsidies; and taxes and payments in lieu of taxes
42	Insurance claims and indemnities	Benefit payments from social insurance and retirement trust funds; payments for losses, claims, and judgments; and payments from credit liquidating accounts where no asset is received
43	Interest and dividends	Payments to creditors for the use of moneys loaned, deposited, overpaid, or otherwise made available and distribution of earnings to owners of trust or other funds
44	Refunds	Payments to refund amounts previously received by the government to correct computation errors, erroneous billings, or other factors
Other Charges		
91	Unvouchered	Charges that may be incurred lawfully for confidential purposes, not subject to detailed vouchering or reporting
92	Undistributed	Charges that cannot be distributed to above classes, including obligations relating to transfers between federal and trust funds resulting from appropriation or general transfer authority
93	Limitations on expenses	Obligations made by revolving and trust funds, which have annual limitations on administrative or nonadministrative expenses
99.5	Below reporting threshold	Sum of object class entries below \$500 thousand

Source: OMB Circular A-11, Preparation and Submission of Budget Estimates.

DEPARTMENT OF LABOR: REPORTED OBLIGATIONS
BY OBJECT CLASS, FISCAL YEAR 1997

(Dollars in millions)

Object Class	Discretionary	Mandatory	Split	Total
11: Personnel compensation	841	0	56	897
12: Personnel benefits	185	0	12	197
21: Travel and transportation of persons	45	0	2	47
22: Transportation of things	4	0	0	4
23: Rent, communications, and utilities	278	0	17	295
24: Printing and reproduction	5	0	0	5
25: Consulting and other services	429	56	232	717
26: Supplies and materials	45	0	1	46
31: Equipment	47	4	2	53
33: Investments and loans	0	0	5	5
41: Grants, subsidies, and contributions	8,227	349	3,293	11,869
42: Insurance claims and indemnities	0	2,374	21,753	24,127
43: Interest and dividends	0	471	3	474
92: Undistributed	2	15	0	17
99.5: Below reporting threshold	4	0	0	4
Total	10,112	3,269	25,376	38,757

Source: Office of Management and Budget. We did not independently verify this information.

DEPARTMENT OF LABOR: REPORTED OBLIGATIONS BY
BUREAU AND OBJECT CLASS, FISCAL YEAR 1997

(Dollars in millions)

Bureau	Object class	Discretionary	Mandatory	Split	Total
Bureau of Labor Statistics					
	11: Personnel compensation	115	0	0	115
	12: Personnel benefits	23	0	0	23
	21: Travel and transportation of persons	7	0	0	7
	23: Rent, communications, and utilities	38	0	0	38
	24: Printing and reproduction	2	0	0	2
	25: Consulting and other services	122	0	0	122
	26: Supplies and materials	1	0	0	1
	31: Equipment	12	0	0	12
	41: Grants, subsidies, and contributions	60	0	0	60
	Total	380	0	0	380
Departmental Management					
	11: Personnel compensation	158	0	0	158
	12: Personnel benefits	32	0	0	32
	21: Travel and transportation of persons	6	0	0	6
	23: Rent, communications, and utilities	55	0	0	55
	25: Consulting and other services	56	0	0	56
	26: Supplies and materials	4	0	0	4
	31: Equipment	6	0	0	6
	41: Grants, subsidies, and contributions	6	0	0	6
	Total	323	0	0	323

Bureau	Object class	Discretionary	Mandatory	Split	Total
Employment and Training Administration					
	11: Personnel compensation	127	0	13	140
	12: Personnel benefits	28	0	3	31
	21: Travel and transportation of persons	6	0	1	7
	22: Transportation of things	1	0	0	1
	23: Rent, communications, and utilities	125	0	3	128
	25: Consulting and other services	89	0	166	255
	26: Supplies and materials	31	0	0	31
	31: Equipment	6	0	0	6
	41: Grants, subsidies, and contributions	8,075	349	3,293	11,717
	42: Insurance claims and indemnities	0	0	20,828	20,828
	43: Interest and dividends	0	0	3	3
	92: Undistributed	2	15	0	17
	93: Limitations on expenses	0	0	0	0
	99.5: Below reporting threshold	1	0	0	1
	Total	8,491	364	24,310	33,165
Employment Standards Administration					
	11: Personnel compensation	182	0	0	182
	12: Personnel benefits	38	0	0	38
	21: Travel and transportation of persons	9	0	0	9
	23: Rent, communications, and utilities	27	0	0	27
	24: Printing and reproduction	1	0	0	1
	25: Consulting and other services	54	56	1	111
	26: Supplies and materials	2	0	0	2
	31: Equipment	10	4	0	14
	42: Insurance claims and indemnities	0	2,374	135	2,509
	43: Interest and dividends	0	471	0	471
	Total	323	2,905	136	3,364

Bureau	Object class	Discretionary	Mandatory	Split	Total
Mine Safety and Health Administration					
	11: Personnel compensation	114	0	0	114
	12: Personnel benefits	33	0	0	33
	21: Travel and transportation of persons	6	0	0	6
	22: Transportation of things	3	0	0	3
	23: Rent, communications, and utilities	11	0	0	11
	24: Printing and reproduction	1	0	0	1
	25: Consulting and other services	15	0	0	15
	26: Supplies and materials	4	0	0	4
	31: Equipment	4	0	0	4
	41: Grants, subsidies, and contributions	6	0	0	6
	Total	197	0	0	197
Occupational Safety and Health Administration					
	11: Personnel compensation	112	0	0	112
	12: Personnel benefits	24	0	0	24
	21: Travel and transportation of persons	9	0	0	9
	23: Rent, communications, and utilities	18	0	0	18
	24: Printing and reproduction	1	0	0	1
	25: Consulting and other services	72	0	0	72
	26: Supplies and materials	3	0	0	3
	31: Equipment	6	0	0	6
	41: Grants, subsidies, and contributions	80	0	0	80
	99.5: Below reporting threshold	2	0	0	2
	Total	327	0	0	327

Bureau	Object class	Discretionary	Mandatory	Split	Total
Pension and Welfare Benefit Administration					
	11: Personnel compensation	33	0	0	33
	12: Personnel benefits	7	0	0	7
	21: Travel and transportation of persons	2	0	0	2
	23: Rent, communications, and utilities	4	0	0	4
	25: Consulting and other services	21	0	0	21
	31: Equipment	3	0	0	3
	99.5: Below reporting threshold	1	0	0	1
	Total	71	0	0	71
Pension Benefit Guaranty Corporation					
	11: Personnel compensation	0	0	43	43
	12: Personnel benefits	0	0	9	9
	21: Travel and transportation of persons	0	0	1	1
	23: Rent, communications, and utilities	0	0	14	14
	25: Consulting and other services	0	0	65	65
	26: Supplies and materials	0	0	1	1
	31: Equipment	0	0	2	2
	33: Investments and loans	0	0	5	5
	42: Insurance claims and indemnities	0	0	790	790
	Total	0	0	930	930

Source: Office of Management and Budget. We did not independently verify this information.

(935276)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested
