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BUDGET ISSUES

Limitations on Analyzing the Cost of Administrative Operations





UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

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The Honorable Butler Derrick
Chairman, Task Force on the
Budget Process
Committee on the Budget
House of Representatives

The Honorable Buddy MacKay
House of Representatives

In response to your December 17, 1985, letter, we studied whether budgets for services, including agencies' field operations, were cut more heavily than those for administrative operations. On April 9, 1986, we presented the results of this study to Representative MacKay. This report summarizes that briefing.

We were unable to resolve the issue as to whether agencies cut their budgets disproportionately because of the following limitations in the available data:

- Neither the President's Budget of the United States Government nor the agencies' records provide the information needed to assess how agencies allocated budget cuts between services¹ and administrative operations.
- The definition of administrative operations not only varied by agency but also varied within an agency from one year to the next.
- Staffing trends in the region we studied were not indicative of agencywide trends.

Our study was based on an analysis of:

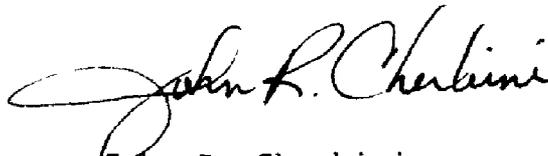
- The actual obligation data included in the President's Budget for 11 agencies. We selected these agencies because, as you requested, their field operations are central to their mission.

¹Services include the direct cost of government programs and services.

--The cost accounting systems, management information systems, and personnel data available in the Washington, D.C., area for two of these agencies--the Forest Service and the Bureau of Land Management.

During our study we noted that the agencies' budgets and accounting records did not agree. While this concern is not addressed in this report, the need for comparable budget and accounting data, which will facilitate comparison of planned and actual results and accomplishments, is an underlying concept in our report Managing the Cost of Government--Building an Effective Management Structure (GAO/AFMD-85-35 and 35A, February 1985). I am enclosing a copy of that report.

I would be pleased to discuss this information with you at your convenience. If you or members of your staff have any questions about the results of our work, please call me on 275-9487. Copies of this report will be sent to interested parties and be made available to others upon request.



John R. Cherbini
Associate Director

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OBJECTIVES, SCOPE, AND METHODOLOGY

The House Task Force on the Budget Process asked us to determine how agencies allocated budget cuts between the delivery of services (including field operations) and administrative operations. To perform this analysis, we divided the agencies' operations into three categories:

- general administration--costs that cannot be readily identified with a specific program; for example, the costs associated with executive and managerial direction, equal employment opportunity programs, and financial management.
- program administration--costs that can be identified with one or more programs but not with an individual work product; for example, the costs associated with program and functional planning, coordination with other programs, and management of program personnel.
- program direct--all other costs related to delivery of programs or services; for example, the direct cost of fighting fires by the Forest Service.

In examining budgetary and accounting records, we used the agencies' accounts entitled "administration" to define administrative operations. For example, administrative operations at the Forest Service and the Bureau of Land Management consist of both the program and general administration accounts.

We selected for review the following 11 agencies that have field operations central to their mission.

Department of Agriculture

- Food Safety and Inspection Service
- Forest Service
- Soil Conservation Service

Department of Commerce

- National Oceanic and Atmospheric Administration

Department of the Interior

- Bureau of Land Management
- National Park Service
- U.S. Fish and Wildlife Service

Department of Justice

- Immigration and Naturalization Service

Department of Labor
--Mine Safety and Health Administration

Department of the Treasury
--U.S. Customs Service

United States Information Agency

In addition, to determine the adequacy of agency records, we obtained more detailed agency records for two of these agencies--the Forest Service and Bureau of Land Management.

We used two primary methods in our study. First, for the 11 agencies, we analyzed the fiscal year 1981 to 1985 actual appropriation and object class data included in the appendix to the President's budget. Second, for two of the agencies, the Forest Service and Bureau of Land Management, we analyzed the data available in their cost accounting, management information, and personnel systems in the Washington, D.C., area for fiscal years 1982 to 1985.

We used different time periods because detailed agency records were not always available at headquarters for fiscal year 1981.

We did not verify the information included in either the President's budget or the agencies' records.

We worked on this study from January through March 1986. In accordance with the requesters' wishes, we did not obtain formal comments on this report, but we did discuss its contents with Forest Service and Bureau of Land Management officials and incorporated their comments where appropriate.

OVERALL OBSERVATIONS

The task force, as a part of its efforts to improve the use of the budget process, requested us to determine how agencies allocated budget cuts between program and administrative operations. Although the results of such an effort could improve the use of the budget process, we were unable to make that determination from the available information. Data limitations we encountered were that

- neither the President's budget nor the agencies' records provide the information needed to assess how agencies allocated budget cuts between service (program) and administrative operations;
- the definition of administrative operations not only varied by agency, but also varied within an agency from one year to the next; and
- staffing trends in the region we studied were not indicative of agencywide trends.

**Table I.1: ADMINISTRATION ACCOUNTS IDENTIFIED IN
THE PRESIDENT'S BUDGET**

	Percent of Administration Cost to Total Obligations - 1985
No Administration Account Identified	
Food Safety and Inspection Service	N/A
Soil Conservation Service	N/A
U.S. Customs Service	N/A
General Administration Account	
Forest Service	11
Bureau of Land Management	11
National Park Service	7
U.S. Fish and Wildlife Service	6
Other Administration Accounts	
Program Administration	
Mine Safety and Health Administration	8
Program Direction	
U.S. Immigration and Naturalization Service	7
Program Support	
National Oceanic and Atmospheric Administration	10
Agency Direction and Management	
U.S. Information Agency	7

Note: N/A signifies not applicable.

LIMITATIONS OF THE PRESIDENT'S BUDGET

The President's Budget of the United States Government is a comprehensive source of information on the operations of all federal agencies. However, we found three conditions that prevented us from using it to determine how budget cuts were allocated between service and administrative operations.

First, the President's budget does not identify an administrative account for all agencies. As shown in table I.1, 3 of the 11 agencies selected for review did not have an administrative type account included in the President's budget.

Second, for those agencies that the President's budget identified an administrative account, we found the types of administrative accounts were not consistent between agencies. For example, four agencies use the term "general administration." The other agencies use these titles:

- program administration,
- program direction,
- program support, and
- agency direction and management.

Because agencies use different titles for the administrative accounts, the accounts may include different types of costs. This would prohibit us from making a valid comparison of the administrative accounts identified in the President's budget.

Third, the administrative accounts identified in the President's budget do not seem to include all administrative operations of an agency. For example, in our analysis of the administrative accounts of the Forest Service and the Bureau of Land Management, we found:

- Neither agency includes program administration expenses in its administrative account in the President's budget, nor does either identify it as a separate line item. In the past administration has been a large part of the agencies' operations. In 1982, for example, the Bureau of Land Management's accounting records showed that the program administration account represented 40 percent of its operations.
- The Forest Service's general administration account does not include all of its general administration expenses, such as the general administration expenses allocated to nonappropriated fund accounts (i.e., trust funds).

LIMITATIONS OF AGENCY RECORDS

Since the President's budget contained several limitations, we reviewed internal agency records at two agencies. We found the reports and records maintained by the Forest Service and the Bureau of Land Management in the Washington, D.C., area also did not explain how agencies allocated budget cuts. This was because

- both agencies have changed the criteria for what is considered a program administration type operation,
- the Forest Service inconsistently applied its criteria to the general administration account, and
- staffing trends in the region we studied were not indicative of agencywide trends.

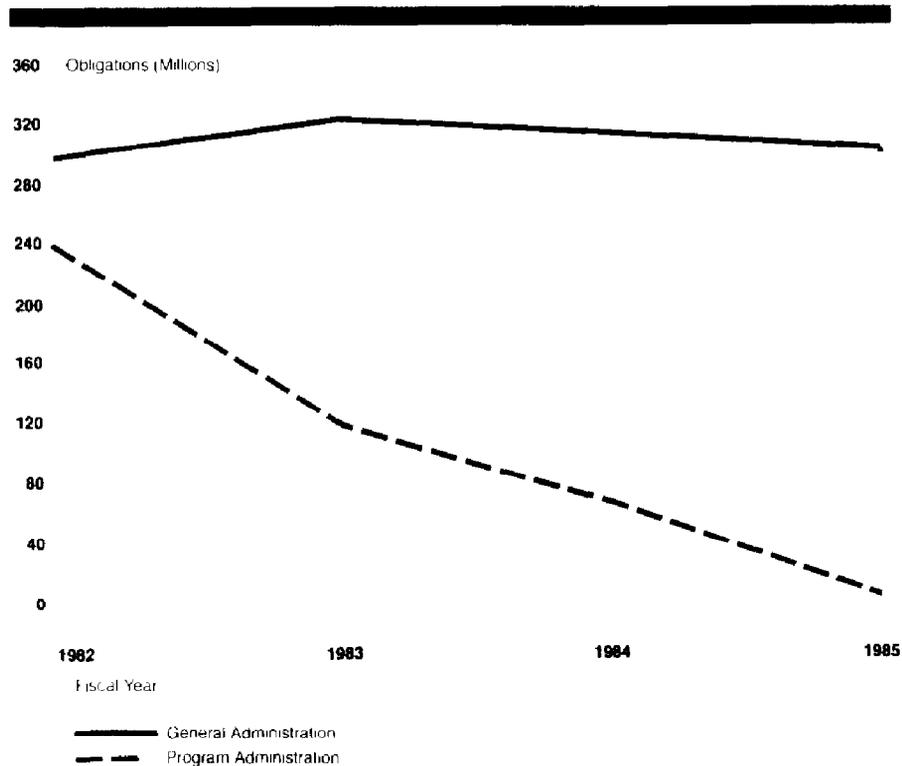
Criteria for Program Administration Changed

We found that since 1982, both the Forest Service and the Bureau of Land Management have been changing the criteria for the program administration account, thus making it difficult to validly compare their administrative funding levels. Consequently, even though both agencies report that their total administrative operations declined by more than 40 percent since 1982, the validity of the rate of the decline is questionable because of the change in criteria.

The most recent changes occurred in fiscal year 1985. In that year, the Forest Service eliminated its program administration account. At the same time, the Bureau of Land Management modified its definition of program administration. Both agencies now charge costs to direct program accounts that were previously charged to the program administration account.

The initial change in the Forest Services' criteria occurred when it allowed the use of the program administration account to be optional. This means that program administration expenses could be charged to either the program administration account or to a direct program account. In 1985, the chief of the Forest Service eliminated the program account after many of the offices had already stopped using it. We found, however, that about \$6 million was charged to it after it was eliminated.

Figure I.1: FOREST SERVICE: GENERAL AND PROGRAM ADMINISTRATION OBLIGATIONS, 1982 to 1985



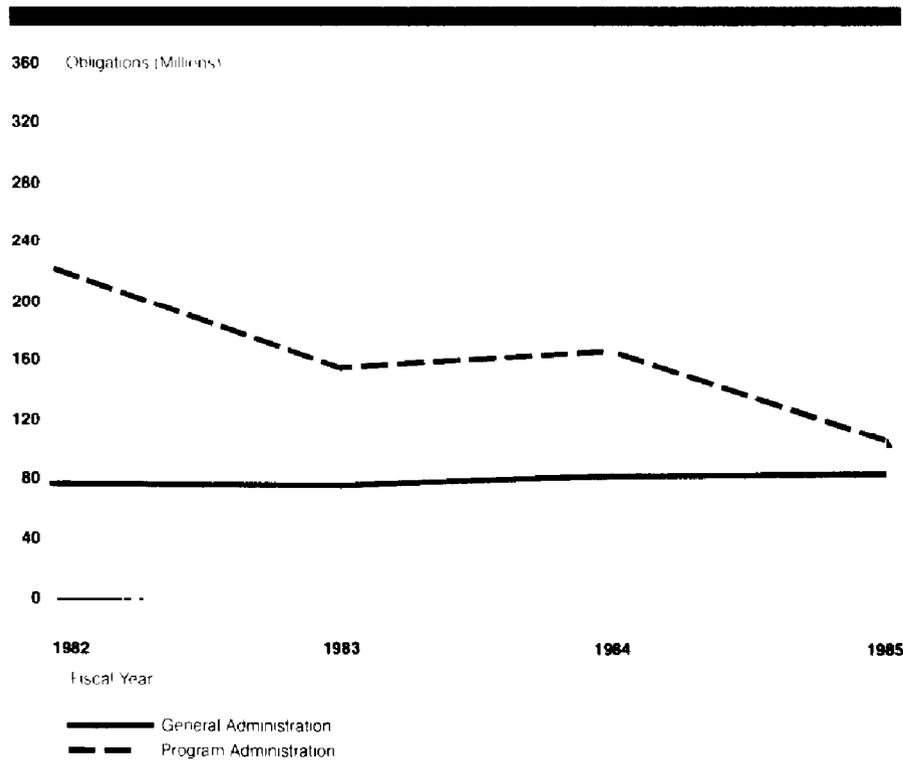
As figure I.1 illustrates, between 1982 and 1985, the Forest Service's

--general administration account varied slightly in the \$300 million to \$320 million range, and

--its program administration account decreased from about \$239 million to about \$6 million.

The Bureau of Land Management, on the other hand, did not achieve its decline in program administration by eliminating the account. Rather, it initially directed its field offices not to use this account as a "catch all." Then, in 1985, it redefined all accounts to more accurately reflect its activities. As a result of this change, activities that it used to consider program administrative are now considered direct program.

**Figure I.2: BUREAU OF LAND MANAGEMENT:
GENERAL AND PROGRAM ADMINISTRATION
OBLIGATIONS, 1982 to 1985**



As figure I.2 illustrates, between 1982 and 1985, the Bureau of Land Management's

--general administration account grew slightly from about \$77 million to about \$83 million, and

--its program administration account decreased from about \$222 million to about \$112 million.

Figures I.1 and I.2 illustrate a basic criteria problem our study faced. Even though both agencies manage federal lands and have similar organizational structures, their charges to the administrative accounts vary substantially. As shown, between fiscal years 1982 and 1985,

--the Forest Service always charged more to its general administration account, while

--the Bureau of Land Management always charged more to its program administration account.

**Inconsistent General Administration
Charges**

In addition to changing its criteria for the program administration account, the Forest Service also inconsistently applied the criteria for the general administration account. For example:

- A 1985 U.S. Department of Agriculture inspector general report identified expenses that one region charged to a direct program account, while another region charged the same type expenses to the general administrative account.
- Washington office memorandums, during the period 1982 to 1985, repeatedly told field offices to be more consistent in their charges to the general administration account.

Figure I.3: FOREST SERVICE: LOCATION OF PERSONNEL, 1981 to 1985

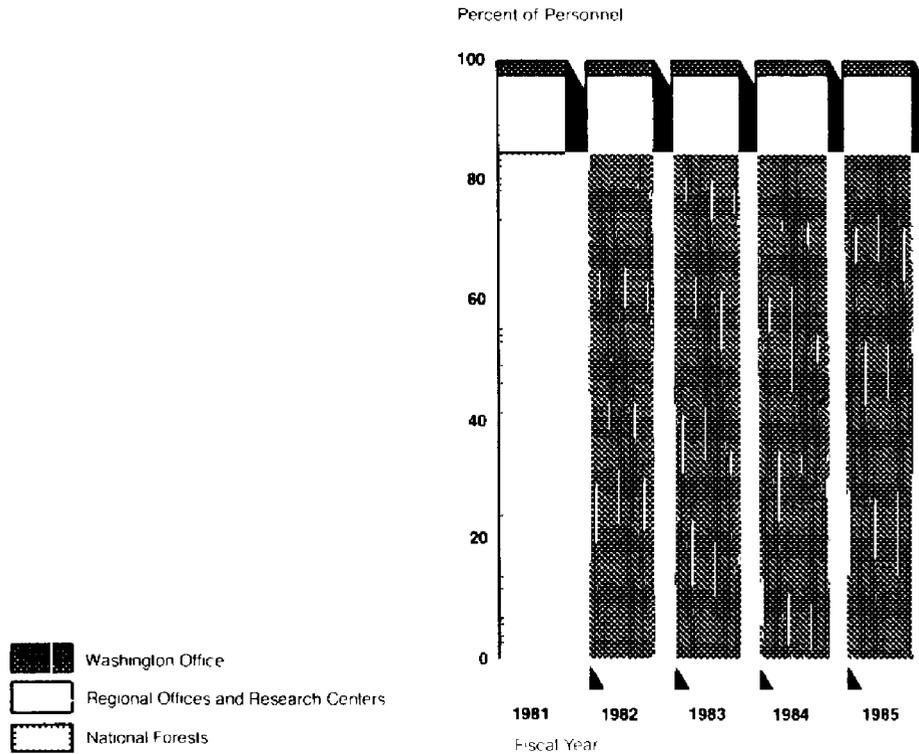
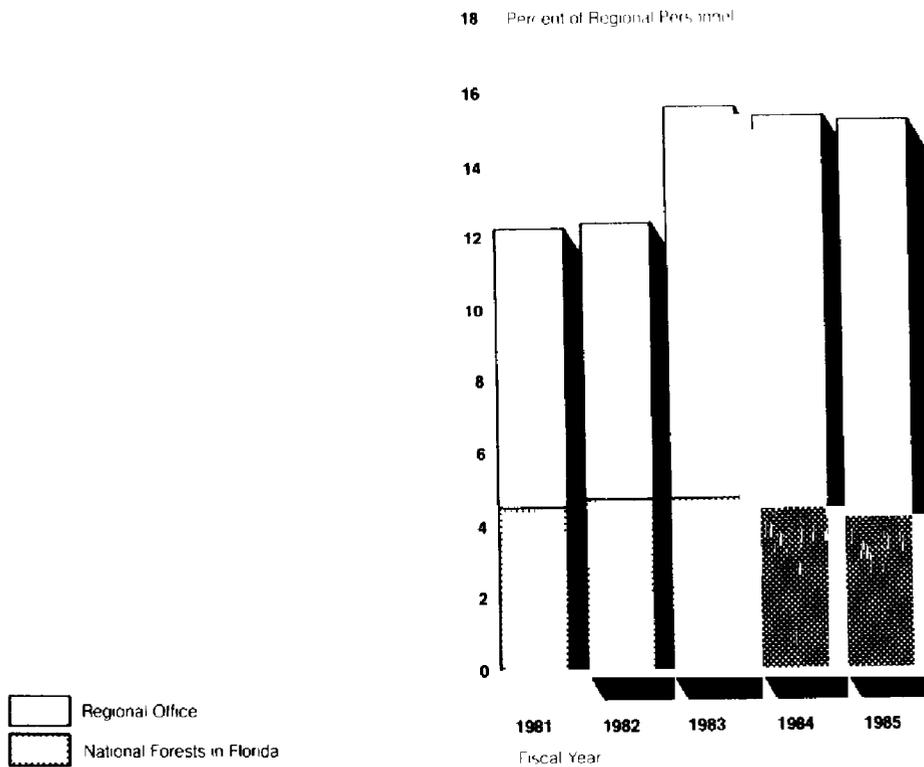


Figure I.4: FOREST SERVICE, REGION VIII: PERSONNEL IN NATIONAL FORESTS IN FLORIDA VS. PERSONNEL IN REGIONAL OFFICE, 1981 to 1985



Agency vs. Regional Personnel Trends

The House Task Force on the Budget Process was concerned that resources might have shifted from services in the field offices to administrative operations in Washington headquarters and regional offices. Since we found limitations with the agencies' cost data, we conducted this analysis using personnel data. To get an indication of the relationship of staffing levels between field, headquarters, and regional offices, we selected for review a regional office and a field office--a group of national forests--at the Forest Service. We found that:

- As shown in figure I.3, the percentage of the Forest Service's personnel assigned to the Washington Office, the regional offices/research centers, and the national forests remained constant from fiscal years 1981 through 1985.
- In contrast, figure I.4 indicates that in one region the percentage of personnel assigned to the regional office increased, while the percentage of personnel assigned to the national forests decreased. Forest Service officials told us that the shift occurred due to a consolidation of personnel.

Therefore, agencywide data show little indication of shifts in resources. However, within a particular region, there may have been some shifting of personnel.

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