

**INSTRUCTIONS FOR COMPLETING THE**  
**NOAA PRODUCT/SERVICE COST COMPUTATION FORM**

The NOAA Product/Service Cost Computation Form consists of a two page form and three worksheets. The worksheets should be completed prior to completing the Product/Service Cost Computation Form.

The Excel version of the form and worksheets has been protected to only permit data entry in those cells that are shaded gray. Data entry is not required in any other cells except for the signature, title and date blocks which must be completed on the hard copy version.

Contact your servicing Chief Financial/Budget Officer if you have questions about completing the Product/Service Cost Computations or the forms.

**WORKSHEET 1 - PROCESS DESCRIPTION**

This worksheet is used to support Worksheet 2, "Direct Labor Costs."

1. Name of Product/Service - Enter the name of the product or service.
2. Form/Product Number - Identify the product/service with a unique number in the following format: Fiscal Year-Line/Staff Office-Sequential Number (e.g., 08-NESDIS-01).
3. Process Number - Identify the steps of the process necessary to produce the product or service. Provide a brief description of the activity necessary to complete each step of the process.

**WORKSHEET 2 - DIRECT LABOR COSTS**

This worksheet is used to support the Base Pay amount on line A.1 of the Product/Service Cost Computation Form.

1. Computation reflects the production costs for ----- unit(s) - Enter the number of units to be produced for the costs computed on the Product/Service Cost Computation Form.
2. Column A - Process Number - Follow the process steps identified on Worksheet 1.
3. Column B – Grade, Step & Locale - Determine the CAPS, GS, GM, WG grade or SES level of the individual(s) involved for each process step. Use Step 5 for

computing GS and GM salary rates; Step 4 for WG salary rates. Use the actual level for CAPS and SES salary rates.

4. Column C - Annual Salary - Enter the annual salary of the grade and step for the specified locale indicated in column B.
5. Column D - Salary Rate - Compute the per hour or per minute salary rate as follows:

Per hour: Divide the annual salary (column C) by 2,087 hours.

Per minute: Divide the annual salary (column C) by 2,087 hours and divide the result (per hour rate) by 60 minutes.

The resulting salary rate should be rounded to the nearest cent with one-half cent and over counted as a whole cent. Columns D and E must be consistent, i.e., hours or minutes.

6. Column E - Time Spent - Enter the amount of time (number of hours or minutes) involved in each step of the process. Columns D and E must be consistent, i.e., hours or minutes.
7. Column F - Dollar Amount - The worksheet automatically calculates and enters the dollar amount for each process step by multiplying column D by column E.

The worksheet automatically totals column F for all processes and transfers the total to line A.1 of the Product/Service Cost Computation Form.

8. Column G - Estimated Annual Volume - Enter the estimated annual product or service volume as accurately as possible.
9. Column H - Work Years - Use the appropriate formula to compute the number of work years required for each step.

(1) If column E is the time spent to produce 1 unit of the product or service, and:

-- if column E is in minutes, then column H =  $(E \times G)/2087/60$ ; or

-- if column E is in hours, then column H =  $(E \times G)/2087$ .

(2) If column E is the time spent to produce the annual volume of the product or service, and:

-- if column E is in minutes, then column H =  $E/2087/60$ ; or

-- if column E is in hours, then column H = E/2087.

10. Column I - Supervisor's Signature - The supervisor must certify that the step has been observed and that the time spent, pay rates and estimated annual volume are correct.
11. Column J - Date - Enter the date of supervisor's signature.

### **WORKSHEET 3 - OTHER DIRECT COSTS**

This worksheet is used to detail costs and provide narrative statements documenting the nature of other direct costs incurred in providing the product/service.

1. Object Class, Cost Category - An object class code classifies a cost according to the nature of the product or service provided. Worksheet 3 lists the object classes and categories of direct costs that may be incurred in the production of a special product or service. For a complete description of object classes, see the NOAA Finance Office website at <http://www.rdc.noaa.gov/~finance/objectclasses.html>.
2. Dollar Amount - Determine the dollar amount for each direct cost. The worksheet automatically totals the Dollar Amount column and transfers the total to line B.1 of the Product/Service Cost Computation Form.
3. Explanation - Provide a brief explanation of each direct cost. Show computations to support each cost. Attach additional worksheets if necessary.
4. Object Class 21XX, Travel and Transportation of Persons - Include transportation of Government employees or others, their per diem allowances while in authorized travel status, and other expenses incidental to travel which are to be paid by the Government either directly or by reimbursing the traveler.
5. Object Class 22XX, Transportation of Things - Include contractual charges incurred for the transportation of things (including animals) and for the care of such things while in the process of being transported. Include postage used in parcel post, private delivery services and rental of trucks and other transportation equipment.
6. Object Class 23XX, Rent, Communications and Utilities - Include rent for real property owned by another. Do not include charges and related services assessed by GSA which are accounted for in Section C of the Product/Service Cost Computation Form. Include charges for communications and utility services. Also include lease and rental of office copying equipment, automatic data processing equipment and other equipment not otherwise classified.
7. Object Class 24XX, Printing and Reproduction - Include contractual printing and reproduction, and the related composition and binding operations performed by

the Government Printing Office, other NOAA organizations or other bureaus within the Department of Commerce (performed on a reimbursable basis), and commercial printers. Include all common processes of duplicating obtained on a contractual or reimbursable basis. Also include standard forms when specifically printed or assembled to order, and printed envelopes and letterheads.

8. Object Class 25XX, Other Contractual Services - Include charges for contractual services not otherwise classified. Supplies and materials furnished by the contractor in connection with such services are included even though they may be separately itemized on an invoice.
9. Object Class 26XX, Supplies and Materials - Include all commodities which are (a) ordinarily consumed or expended within one year after they are put to use, or (b) converted in the process of construction or manufacture, or (c) used to form a minor part of equipment or fixed property. (Other property of little monetary value which does not meet any of these three criteria may also be classified as "Supplies and Materials.")
10. Object Class 31XX, Acquisition of Property, Plant and Equipment – Include all property, plant and equipment purchased below the \$200,000 capitalization threshold.
11. Computer Resources - Include the cost of computer time directly attributable to the product or service. For example, the cost of a computerized data search, or the cost of software development and/or modifications to permit special retrieval or analysis for the product or service.
12. Depreciation - Depreciation is an estimate of the decrease in value over time of assets, such as government owned buildings and equipment. Depreciation is calculated by allocating the cost of the asset over the length of its estimated useful life. For a listing of useful lives applicable to NOAA capitalized assets, see OMB Circular A-76 at <http://www.pps.noaa.gov/CircularNoA76Appen3.pdf>. Depreciation is calculated for assets that cost \$200,000 or more and have an estimated useful life of 2 years or more.

Include depreciation for the proportion of the cost of assets that are used to produce special products and services. For example:

A computer was purchased for \$315,000 and has an estimated useful life of 15 years. One third of the computer's annual use is dedicated to the production of 100 units of a special product. The cost of yearly depreciation is calculated as follows:

$$(1) \quad \frac{\$315,000}{15 \text{ years}} = \$21,000 \text{ yearly depreciation expense for the computer.}$$

- (2)  $\$21,000 \times 1/3 = \$7,000$  yearly depreciation expense to use the computer on the special product.
- (3)  $\frac{\$7,000}{100 \text{ units}} = \$70.00$  yearly depreciation expense per unit.
13. Other (Specify) - Include other costs obviously traceable to a specific service or product. Document these costs and attach to Worksheet 3.
14. Total – The worksheet automatically calculates and enters the total dollar amount for all direct costs on Worksheet 3 and transfers the total to line B.1 of the Product/Service Cost Computation Form.

### **PRODUCT/SERVICE COST COMPUTATION FORM**

1. Preparer's Name, Title and Phone Number - Enter the name, title and phone number of the person who prepares the Product/Service Cost Computation Form and can answer questions about it.
2. Office Providing Product/Service - Enter the name of the office providing the special product or service.
3. Organization, Project and Task Codes Where Related Costs Will Be Incurred - Enter the organization, project and task codes of the organization incurring the costs for the special product or service.  
  
Organization codes are listed in the NOAA Organization Handbook. Project and task codes are assigned and maintained by the NOAA Budget Office, Execution and Operations Division (OFA33).
4. Authorizing Legislation - Enter the legislation which authorizes the production of the special product/service. Also include notation on who keeps the user fees received (NOAA or Treasury).
5. Description of Product/Service - Enter the description which includes the unit of issue, size, type, etc.

### **SECTION A - DIRECT LABOR COSTS**

- A.1 Base Pay – The worksheet will automatically enter the total from Worksheet 2, column F.
- A.2 Proposed Pay Increase – Using the official pay increase percentage available annually from the NOAA Budget, Execution and Operations Division (OFA33),

enter the percentage available when the form is prepared in the corresponding shaded box.

The pay increase must be prorated if the pay increase is effective January 1. Enter “75” for a January 1 pay increase or “100” for a October 1 pay increase in the corresponding shaded box.

The worksheet will automatically calculate and enter line A.2 by multiplying line A.1 by the proposed percentage pay increase and the proration factor.

- A.3 Subtotal – The worksheet will automatically calculate and enter the total of lines A.1 and A.2.
- A.4 Leave Surcharge – Using the distribution rates published annually by the NOAA Budget, Execution and Operations Division (OFA33), enter the percentage available when the form is prepared in the corresponding shaded box. The worksheet will automatically calculate and enter line A.4 by multiplying line A.3 by the Leave Surcharge rate.
- A.5 Subtotal - The worksheet will automatically calculate and enter the total of lines A.3 and A.4.
- A.6 Other Personnel Compensation - Enter all other personnel compensation paid directly to NOAA employees, including overtime and differentials. See the NOAA Finance Office website at <http://www.rdc.noaa.gov/~finance/objectclasses.html>, 115X for other personnel compensation categories.
- A.7 Subtotal - The worksheet will automatically calculate and enter the total of lines A.5 and A.6.
- A.8 Personnel Benefits - Enter other personnel costs including cost-of-living allowance, commuted subsistence, etc. See the NOAA Finance Office website at <http://www.rdc.noaa.gov/~finance/objectclasses.html>, 121X for other personnel benefits categories. Document these costs and attach to the Product/Service Cost Computation Form.
- A.9 Total Direct Labor Costs - The worksheet will automatically calculate and enter the total of lines A.7 and A.8.

## **SECTION B - OTHER DIRECT COSTS**

- B.1 Total Other Direct Costs - The worksheet will automatically enter the total from Worksheet 3, "Other Direct Costs".

## **SECTION C - DISTRIBUTED (INDIRECT) COSTS**

- C.1 Employer's Contribution Surcharge – Using the distribution rates published annually by the NOAA Budget Execution and Operations Division (OFA33), enter the percentage available when the form is prepared in the corresponding shaded box. The worksheet will automatically calculate and enter line C.1 by multiplying line A.5 by the entered employer's contribution surcharge rate.
- C.2 FRPCO - (Future Retired Pay of Commissioned Officers). Using the distribution rates published annually by the NOAA Budget, Execution and Operations Division (OFA33), enter the percentage available when the form is prepared in the corresponding shaded box. The FRPCO Rate is to be applied only against the base pay of NOAA Commissioned Officers attributable to the product or service. Multiply the NOAA Commissioned Officers' salaries, if any, in line A.5 by the FRPCO rate and enter the result.
- C.3 NOAA Support - Using the NOAA support distribution rates published annually by the NOAA Budget, Execution and Operations Division (OFA33), enter the percentage available when the form is prepared in the corresponding shaded box. The worksheet will automatically calculate and enter line C.3 by multiplying line A.7 by the entered distribution rate.
- C.4 Rent – Using the NOAA rent distribution rates (formerly called “SLUC”) published annually by the NOAA Budget, Execution and Operations Division (OFA33), enter the percentage available when the form is prepared in the corresponding shaded box. The worksheet will automatically calculate and enter line C.4 by multiplying line A.7 by the entered distribution rate.
- C.5 Total Distributed Costs - The worksheet will automatically calculate and enter the total of lines C.1, C.2, C.3 and C.4.

**SECTION D - COST SUMMARY AND PRODUCT/SERVICE PRICE**

- D.1 Cost Subtotal - The worksheet will automatically calculate and enter the total of lines A.9, B.1 and C.5.
- D.2 Other Cost Adjustments - Enter any other adjustments to the product/service cost. Attach a detailed explanation.
- D.3 Total Product/Service Costs – The worksheet will automatically calculate and enter the total of lines D.1 and D.2.
- D.4 Estimated Quantity – The worksheet automatically enters the quantity from Worksheet 2, "Computation reflects the production costs for \_\_\_\_ unit(s)."
- D.5 Estimated Product/Service Unit Cost – The worksheet will automatically calculate and enter line D.3 divided by line D.4.

D.6 Fair Market Value of Product/Service - If the product/service is authorized by statute to be provided at a fair market value, enter the fair market value of the product/service. Also attach a detailed explanation of the methods used to determine the fair market value. Product/Service Cost Computation Forms received by the servicing NOAA Management and Budget Office for products/services at fair market value without an adequate explanation will not be approved.

D.7 Final Product/Service Price - Round the total product/ service costs on line D.5 as follows:

(1) If the unit price is \$1.00 or more, round to the nearest dollar (.00 - .49 round down; .50 - .99 round up);

(2) If the unit price is less than \$1.00:

a. \$0.50 - 0.99, round to \$1.00;

b. \$0.01 - 0.49, round to nearest ten cents (e.g., 0.38 = 0.40).

“SUPERVISOR APPROVAL”: - Preparer’s supervisor will complete this section.

“CHIEF FINANCIAL/BUDGET OFFICER REVIEW”: - The appropriate line or staff Chief Financial/Budget Officer will complete and sign this section.

Please attach additional sheets where “Blocks” are too small to accommodate your narrative.