

9/13/11

## CHAPTER 12.

### MANAGEMENT AND ADMINISTRATIVE COSTS

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#### 12-01 PURPOSE.

This chapter prescribes policies and procedures pertaining to Management and Administrative (M&A) costs at the National Oceanic and Atmospheric Administration (NOAA).

#### 12-02 SCOPE.

This policy is applicable to NOAA headquarters corporate offices and NOAA's Line Office headquarters units. Further, it provides definitions of M&A activities for NOAA's Financial Management Centers (FMCs).

#### 12-03 AUTHORITY.

1. Statement of Federal Financial Accounting Standards (SFFAS) #4: Managerial Cost Accounting Standards and Concepts, which provides information on accumulating costs and reporting costs on a regular basis for management information purposes.
2. Federal Managers' Financial Integrity Act (FMFIA) of 1982 (31 U.S.C. 3512), requires ongoing evaluation and reporting on an agency's internal controls.
3. OMB Circular A-11, which contains instructions relating to budget formulation and reports on budget execution.
4. Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Internal Control" defines management's responsibilities for internal controls. OMB Circular A-123 issued under the authority of FMFIA.

5. Department of Commerce (DOC) Accounting Principles and Standards Handbook, Chapter 12, *Managerial Cost Accounting*, which provides guidance on accumulating costs at the bureau-level.

## 12-04 POLICY.

As part of these policies and procedures, NOAA better defines its Management and Administrative (M&A) activities, outlines practices for presenting, executing, and tracking M&A costs, and provides for control, adherence to standards, and periodic review.

### 12.04.1. MANAGEMENT AND ADMINISTRATIVE COSTS.

Management and Administrative costs include multiple support functions in NOAA organizations and are a fundamental and necessary component of the full costs to complete NOAA's mission and objectives. M&A costs at each level of the organization (NOAA headquarters, Line Office headquarters, Program Office or FMC leadership) represent those activities performed centrally that support multiple or all components of the respective organization it leads, rather than a single program or component. For example, a NOAA corporate office provides oversight and service to all components of NOAA, a Line Office headquarters supports all Line Office programs and FMCs, and a FMC M&A activity supports all of the components of that FMC. Section 12-06 provides additional detail on M&A definitions.

### 12.04.2. BUDGET FORMULATION/JUSTIFICATION.

During the budget formulation phase of NOAA's Strategic Evaluation and Execution (SEE) process, Line Office Management and Administrative costs will be verified and submitted to the NOAA Budget Office. Line Offices will provide information in the functional categories outlined in section 12.04.5 and defined in section 12-06. These include: Executive Management, Budget and Finance, Facilities (and other Administration), Human Resources (including EEO), Information Technology, and Acquisition and Grants. A seventh M&A functional category, Legal Services, applies to NOAA Headquarters only. Data provided for the budget submission includes estimates for the budget year in the President's Budget. Any inflationary changes will be based on adjustment to base guidance provided by NOAA Budget. Other changes will be addressed on an exception basis between the Line Offices and NOAA Budget. Line Offices should seek to minimize cost growth and continue to identify administrative efficiencies in formulating their future management and administrative budgets. An example of the line office information provided in the President's Budget appears in section 12-09, Exhibit 3.

### 12.04.3. LINE OFFICE ASSESSMENT METHODOLOGIES.

NOAA's Line Offices include a wide range of program activities such as daily operational products and services, scientific research, and major acquisitions. As a result, Line Offices employ differing techniques to distribute M&A costs to their program activities. Methodologies generally consist of approaches based on total budget authority, federal labor, or a combination of these approaches. Detailed information on Line Office methodologies are included in section 12-08, Appendix A. All of these methodologies are within the guidelines established in

Statement of Federal Financial Accounting Standards (SFFAS) #4: Managerial Cost Accounting Standards and Concepts. As prescribed by SFFAS #4, “the full costs of resources that directly or indirectly contribute to the production of outputs should be assigned to outputs through costing methodologies or cost finding techniques that are most appropriate to the segment's operating environment and should be followed consistently.” More information on SFFAS# 4 can be found at: [http://www.fasab.gov/pdffiles/handbook\\_sffas\\_4.pdf](http://www.fasab.gov/pdffiles/handbook_sffas_4.pdf).

#### 12.04.4. BUDGET EXECUTION PLANNING AND OVERSIGHT.

Line Offices will finalize their administrative costs execution plans by function and associated amounts by Program, Project, or Activity (PPA), consistent with their assessment methodology, following the enacted budget. Any adjustments to the assessment methodology will conform to policies and practices in place in the NOAA LOs. For Line Offices using the Internal Fund, NOAA Budget will enter allotments by Line Office in CBS. Line Office CFOs will review and approve annual administrative cost plans to ensure correspondence with reporting in the enacted budget and compliance with this policy. Increases to the administrative cost budget in the year of execution must be reviewed and approved by the Line Office CFO.

Line Office CFOs must ensure processes are in place for adequate control of these funds during execution, including measures to plan, control, track, and report the use of the funds on a regular basis.

#### 12.04.5. RECORDING OBLIGATIONS AND USE OF STANDARD CODING.

Line Offices may use the NOAA Internal Fund (fund code 02 in CBS) to execute their administrative costs. NWS does not use the Internal Fund and instead aligns the components of its annual administrative cost plan to PPA assessments to execute its administrative costs. OMAO does not use the Internal Fund as their M&A costs are supported by only two direct activities. Line Offices should develop operating plans according to their organizational structures and provide sufficient tracking that allow them to report obligations by standard M&A functions. Line Offices will use the specific codes listed in this section to track M&A costs in their headquarters.

Line Offices using the Internal Fund will use the fourth digit of the project code to capture M&A costs. This character was previously a “G” as in 59WGD01. At the time the project code was established, the G represented “General Support” for a range of common general and administrative costs. The new codes by function will provide a greater level of detail. Project codes are used rather than task codes to avoid any conflict with other cost tracking efforts for facilities and information technology. The M&A codes below apply only to Line Office headquarters, and Line Offices will use the codes below to designate M&A costs by function beginning in FY 2012. Line Offices not currently using the Internal Fund in CBS for their M&A activities will incorporate this coding into their project code structure in FY 2012 in the ORF codes they use. All Line Offices must use M&A codes for their Line Office headquarters M&A costs in a consistent manner to support standard reporting.

Code	M&A Function
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M	General Management and Direction/Executive Management
B	Budget and Finance
F	Facilities/Other Administrative (CAO functions)
H	Human Resources
A	Acquisition and Grants
T	Information Technology

As noted earlier, an additional function, legal services, only includes activities performed by the NOAA General Counsel and is therefore not applicable to Line Offices. Definitions of the M&A functions appear in section 12-06 of this chapter. For general information on recording obligations, see Chapter 2 of this handbook.

#### 12.04.6. MONTHLY DISTRIBUTION PROCESS TO DIRECT ACTIVITIES.

For those Line Offices using the Internal Fund to track their M&A costs in their Line Office headquarters, the costs will be distributed to direct activities on a monthly basis so that NOAA can report total obligations externally in direct appropriations. Internal Fund obligations are distributed to the direct programs as object class 77XX. It is important to note that while the use of object class 77XX captures Internal Fund obligations by PPA, it distorts reporting by object class. To report obligations by object class, include the Internal Fund amounts from LO specific program codes in CBS rather than the 77XX amounts.

#### 12.04.7. EXECUTION REPORTING PROCEDURES.

Line Offices will report the obligation of funds as needed to NOAA Budget in the functional categories listed in 12.04.5. NOAA Budget or CFO may include the status of these funds in year-end execution reviews.

#### 12.04.8. M&A COSTS AND REIMBURSABLES.

Costs attributed to reimbursable project activities should include both direct costs (labor, supplies, material, contracts, etc) and indirect costs (e.g., a proportionate share of M&A services that are indirectly associated with reimbursable project activities). NOAA LOs and FMCs are responsible for calculating the proportionate share of M&A costs attributed to reimbursable activities using guidance found in Chapter 2 of the NOAA Budget Handbook<sup>1</sup>.

M&A costs are attributed to reimbursable projects based on the cost of labor charged to the project. Accordingly, in order to consistently apply and recover M&A costs, LOs and FMCs must determine the proportionate share of projected M&A costs relative to the organization's total annual labor projection. The corresponding M&A assessment rate is reported to NOAA Budget Execution and entered into NOAA's Financial Management system as an automatic cost

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<sup>1</sup> The NOAA Budget Handbook was last updated in 1994 and refers to M&A costs as "overhead." See Section 02, page 100 of the NOAA Budget Handbook for a description of how overhead charges are attributed to reimbursable projects. Although the 1994 version identifies multiple overhead assessment categories (e.g., General Support, EXAD, Common Services, Computer Services, etc.) current assessment categories are revised and limited to "LO Overhead," "FMC Overhead" and "ESRL Overhead."

recovery based on the incurred cost of federal labor charged to the project. The recovered costs are subsequently distributed back to the LO or FMC. A table that identifies M&A assessment rates is managed by the NOAA Budget Execution office and circulated on a regular basis to LOs and FMCs for update. Line Offices and FMCs are responsible for ensuring the corresponding rates are up-to-date and consistent with anticipated spend plans.

#### 12.04.9. ADHERENCE TO STANDARDS AND CONTROLS.

Line Office administrative costs and the NOAA direct bill are conducted in accordance with OMB Circular No. A-123, "Management's Responsibility for Internal Control" and SSFAS 4. Existing and updated practices are formally documented in this handbook chapter. They will be reviewed on an annual basis and updated as needed. The NOAA Office of the CFO (CFO, Budget, Finance) will be responsible for overall management and administrative cost processes and Line Office CFOs will be responsible for effective implementation of practices in Line Offices in accordance with the published policies and procedures. The CFO Council will serve as the senior management council for review. The policies and procedures outlined in this chapter define roles and actions, outline the control environment, and require monitoring to manage risks. All relevant information and any subsequent updates will be communicated to appropriate staff for implementation. More information on OMB Circular No. A-123 can be found at: [http://www.whitehouse.gov/omb/circulars\\_a123\\_rev/](http://www.whitehouse.gov/omb/circulars_a123_rev/).

#### 12.04.10 NOAA DIRECT BILL.

The NOAA Direct Bill is the process by which NOAA Line and Staff Offices that manage various programs and/or services assess other Line and Staff Offices for their proportionate share of the costs of that program or service. Direct Bills can generally be placed into two categories: 1) services that provide a direct benefit to the Line or Staff Office, and 2) services or programs promoting NOAA wide initiatives which provide indirect benefits to the Line or Staff Offices. Only those proposals needed to sustain current services, meet new service requirements, and have a solid business case and billing rationale are considered.

The Direct Bill decision process usually begins in July/August of the preceding fiscal year and ends in December/January. The NOAA Budget Office sends a data call to the Line and Staff Offices for all Direct Bills proposals. The proposals are forwarded to the NOAA Budget Office for review prior to being forwarded to the CFO Council for consideration. Each Direct Bill is reviewed for the following:

- A clear service or product statement
- Identified Accountability Officer/Sponsor (individual directly responsible for providing the service or acquisition of products)
- Amount of funding required with cost breakdown by object class
- Detailed description of the background and history of the Direct Bill
- Prior source of funding, if not funded through Direct Bill previously
- Basis for allocating cost to Line and Staff Offices and an explanation for choosing methodology

Any proposal that does not meet the minimum criteria (required services, solid business case, and firm billing rationale) and/or does not have a compelling justification, as determined by the NOAA Budget Office, is not forwarded to the CFO Council for consideration.

The CFO Council reviews each Direct Bill and either approves, changes, or disapproves the requested funding. The CFO Council meets over a 3-4 week period, meeting once a week to hear presentations and evaluate the merits and facts of each Direct Bill. Once the CFO Council makes its final decision, the NOAA Budget Office finalizes a spreadsheet that identifies each Line and Staff Office's Direct Bill share. The Budget Office also prepares Direct Bill Funding Transfer Worksheets that are used to document the accounting information that will be used to transfer the funding from the Line or Staff Office to the receiving entity.

### **Types of Services and Initiatives Included:**

Direct Bill services include legal services provided by the NOAA Office of General Counsel, acquisitions and grants services, building maintenance not included in GSA rent, information technology system support such as MARS, CBS Help Desk, Grants on Line, licensing, CSAM, and Web Operations Center, and information technology enterprise services such as messaging, network access, calendar, and collaboration. NOAA wide initiatives include activities such as support to Heritage Assets, the NOAA Exhibits program, the NEPA Coordinator and the NOAA Science Advisory Board.

### **Method for Distributing Costs:**

The methods used to allocate Direct Bill costs vary. The method for distributing cost for Facilities related Direct Bills are primarily based on square footage. Most enterprise IT services are allocated based on the number of user accounts. Information technology system support costs are allocated based on system usage metrics, such as internet traffic or complexity of grants processed. Typically, the costs for NOAA-wide programs, such as the NOAA Science Advisory Board, are allocated evenly across Line Offices.

### **Direct Bill Payment Methods:**

The method used to effect payment varies:

- Direct allotments to an entities organization code from the payor Line or Staff Office
- Budget operating plan transfers from the payor to the payee
- Direct citation of the payor accounting information

Section 12-09, Exhibits provides sample Direct Bill forms and templates.

## 12-05 RESPONSIBILITIES.

NOAA CFO - The NOAA Chief Financial Officer (CFO) serves as the principal financial manager for an organization whose appropriated resources approach nearly \$5 billion and whose

recorded capital asset value exceeds \$6 billion. The CFO's Office has the responsibility under the CFO Act to provide the leadership necessary for NOAA to obtain an annual unqualified opinion in the audit of its consolidated financial statements. The areas under the responsibility and direction of the CFO are the Budget and Finance Offices. The NOAA CFO has overall management and oversight responsibility for the policies and procedures for management and administrative costs at NOAA.

**NOAA Budget** - The NOAA Budget Office is responsible for the oversight and management of NOAA's budget process. It develops overall guidance, reviews proposals, and prepares supporting justification and documentation. This includes coordinating the preparation of NOAA budget submissions to the Department, OMB and the Congress, including data on budget authority, obligations, outlays, permanent positions, and full-time equivalent employment. The NOAA Budget Office also provides for the proper allocation and control of the execution of all budgetary resources as required under the Congressional Budget and Impoundment Act of 1974 (31 U.S.C. 11) and related statutes, and as specified by the Office of Management and Budget (OMB). The Office also maintains a staff that focuses on outreach and communication, particularly with the staff of Congressional Appropriations committees, as well as other Executive Branch agencies. NOAA Budget has direct responsibility for business practices in the area of M&A costs, as well as implementation of formulation and execution activities for M&A in Line Office headquarters and the Direct Bill.

**NOAA Finance** - The NOAA Finance Office provides NOAA's financial management policies, systems and procedures. It advises line/staff offices on financial management policies and procedures and provides special-purpose financial information and analyses on matters of immediate concern to line/staff offices, the CFO, and the Office of the Under Secretary. The Finance Office also works to ensure that NOAA's consolidated financial statements and reports accurately reflect NOAA's fiduciary status at the end of the fiscal year, as required of all government agencies under the CFO Act of 1990. It operates NOAA's financial management system to ensure that NOAA's managers have access to timely financial data necessary to make informed programmatic decisions. The Finance Office is also responsible for ensuring that NOAA's bills are paid in a timely manner. For management and administrative costs, NOAA Finance manages the system that assigns M&A costs to reimbursable projects based on rates reported by NOAA Budget and developed by LOs and FMCs. It also ensures proper financial reporting of administrative costs, compliance with accounting standards and internal controls, as well as financial systems requirements in this area.

**CFO Council** - The CFO Council is a decision making or recommending body on NOAA-wide financial and administrative functions under the responsibility of the NOAA's CFO, CAO, Director of Acquisition and Grants (AGO) and Director of Workforce Management (WM). Membership includes these offices, other headquarters offices including the CIO, and the Line Office CFOs. The Council reviews and discusses topics such as, but not limited to, funding centralized services and/or direct bills, financial aspects of any presentation to be made to the NEP or the NEC, NOAA-wide financial and administrative policies, budget matters, administrative matters, program execution reviews and topics requested by any of its members, referred by the NEP/NEC and/or tentative decisions of the two Committee reporting to the Council, the Business Rules and Finance Committees. The CFO Council was established to

ensure that all NOAA wide financial and administrative decisions and actions are considered by the relevant senior officials in NOAA and that other NOAA Councils have an opportunity to present financial and administrative proposals prior to taking such proposals to the NEP or the NEC. The NOAA CFO Council will review administrative cost policies and procedures and serves as the senior management council to review this topic on at least an annual basis.

Line Office CFO - The Line Office (LO) Chief Financial Officer (CFO) manages the financial resources received to enable the LO to fulfill its mission. The LO CFO is responsible for leading the LO formulation and execution of the annual budget and providing accounting for the resources necessary to support the LO. In some LOs, the Chief Administrative Officer (CAO) responsibility is assigned to the CFO. CAO responsibilities include managing the human, physical and information resources necessary for the LO to fulfill its mission and developing and managing human resources, labor-management, and organizational development policies and practices. Line Offices have responsibility and accountability for their Line Office's management and administrative costs, including formulation and execution activities, and adherence to policies and standards. The CFO represents their Line Office in the NOAA direct bill process, and serves as the Line Office's representative to the CFO Council.

Line Office Budget Staff - The Line Office (LO) Budget Staff is responsible for budget formulation and execution of the LO programs. This responsibility includes managing the LO's process for identifying and acquiring its annual budgetary resources and for fiscal accountability and reporting of appropriated resources, allocating funding, tracking and reporting spending, providing information for budget formulation, and maintaining official fiscal records for the Line Office including monthly, quarterly and annual internal and external reports. Line Office budget staff are responsible for development, implementation, and review of administrative costs in their Line Office in accordance with published policies and procedures. Line Office budget staff are also responsible for determining M&A recovery rates assigned to reimbursable projects and updating the rates as appropriate.

Assistant Administrators/Deputy Assistant Administrators - Assistant Administrators (AAs)/Deputy Assistant Administrators (DAAs) in each Line Office (LO) oversee the work of the LO programs, coordinate between NOAA leadership and the LO, and are responsible for the overall management of the LO. As the head of their Line Office headquarters, AAs and DAAs make decisions regarding the requirements for and content of their headquarters operations, and work with their Line Office CFO to review and approve the formulation and execution of the headquarters M&A budget.

## 12-06 DEFINITIONS.

Management and Administrative (M&A) Services - defined as those agency functions (and related services) needed to support NOAA mission programs. These M&A functions are commonly found in Federal agencies and are typically needed to perform standard support activities that are required by business need, law, or regulation. The standard M&A functions are as follows:

- Acquisitions and Grants (AGO operations)
- Budget and Finance (CFO operations)



- Executive Management
- Facilities and other Administration (CAO operations)
- Human Resources (including EEO)
- Information Technology
- Legal Services.

Specific services in each M&A function are performed at some or all of the organizational levels (i.e., NOAA headquarters, Line Office headquarters, and FMCs). As stated in section 12.04.1, M&A costs at each organization level should provide support to multiple or all components of that organization, rather than a single program or organizational component.

Generally, each level is responsible for the following with regard to the M&A functions:

- NOAA headquarters performs services that establish and define agency-wide policies, procedures, and performance requirements.
- Line Office headquarters interprets and applies the policies by defining operating practices, providing oversight for programs to ensure policy compliance, and reports LO-wide results.
- Financial Management Centers (FMCs)/program offices execute their programs and implement policies and procedures, and report results to their Line Office.

Concise descriptions of these functions are provided below:

*1. Acquisitions and Grants:* This function includes the oversight of acquisition and grant-making through the development of policy and guidance; the review and analysis of solicitations, contracts and grant agreements; and the direction of the procurement process for negotiation, award, and administration of contracts. Specific services include such actions as selection of acquisition strategy; issuing and analyzing solicitations (RFPs); conducting source selections, negotiations, and award or termination of contracts; preparing contract modifications and processing protests. Also included are post award conferences; overseeing contractors and compliance (COTR); issuing contract amendments including termination for default, settlement, or convenience; processing claims against the agency; tracking progress payments; and contract close-out and the administration of property. In NOAA, most of these activities are performed at the NOAA headquarters level (except for low dollar contracts). NOAA Line Offices coordinate between the NOAA Acquisition and Grants Office and FMCs. Generally, FMCs carry-out detailed COR and post award services.

*2. Budget and Finance:* This function includes conducting mid- and long-range planning, programming and budgeting; developing budget and financial policy and guidance; analyzing program performance; and allocating and distributing budgetary resources. In the budget area, specific activities include budget formulation, justification, and analysis involved in preparing the NOAA budget request to the Department of Commerce, OMB and the congressional appropriations committees. Other services include the development and monitoring of the agency's operating/financial (execution) plan; distribution and certification of funds, and reporting on the status of funds. In the finance area, activities include operation of the financial management system and the accounting processes that record, classify, analyze, summarize and

report financial information on the financial condition of agency programs, projects, and activities (PPAs).

Agency-wide budget formulation and execution, budget policy and financial guidance, managing accounting transactions in the Commerce Business System (CBS), performance reviews, and working with the Department, OMB and the appropriations committees are conducted at the NOAA headquarters level. The LOs perform budget formulation, execution and financial management for their respective programs, develop performance measures and targets, and provide input to NOAA headquarters. This function includes the line office Chief Financial Officers. At a more detailed level, FMCs conduct budget formulation, execution, and financial management activities described above and provide data to the LO headquarters level for their PPAs.

3. Executive Management: This function includes the overall direction, oversight and control of NOAA mission operations and of the provision of each M&A function throughout the agency. Activities generally include the development and issuance of policies, providing policy guidance, evaluating program performance, and conducting mid- and long-range planning. For the M&A functions, NOAA headquarters sets policy and performance measures. The LO headquarters conducts management oversight by providing the FMCs with defined operating procedures and practices and reporting on compliance. The FMCs ensure that their programs are implemented consistent with policy and procedures. For Line Offices, this category will include international, communications, and education activities performed within the Line Office headquarters that support multiple (versus one or limited) programs in that Line Office.

4. Facilities and other Administrative/CAO functions: This function includes agency-wide activities for capital planning for facilities; program management for NOAA's construction and modernization program; NOAA-wide maintenance and repair plans; security and safety programs; NOAA's environmental management program; and property management program. NOAA headquarters level is responsible for overall policy and planning activities related to capital investment, modernization program, and facility maintenance requirements. The LOs are involved in applying headquarters and Department facilities requirements to their FMCs and program offices in such areas as safety, security, property management, maintenance and repairs, etc. FMCs take actions to implement these requirements at their centers, offices, and labs.

5. Human Resources: This function includes development of personnel policies and workforce planning; recruitment; employee relations services; classification of positions; determining qualifications for positions; compensation; benefits; retirement counseling and processing; employee development (training); processing personnel actions; labor relations; and administering the performance management process. Major Human Resources (HR) issues are handled at the NOAA headquarters level by the Workforce Management Office including development of agency-wide personnel and workforce planning policies; providing retirement and benefits services, and supporting agency-wide services such as classification, hiring, promotions, and reassignments. This also includes EEO activities conducted by NOAA in the CAO organization. At the LO level, LO-specific work on workforce planning, hiring requests, preparation of other personnel actions, performance management, and records and coordination

with headquarters on the full range of HR work requirements is conducted. FMCs have HR-related activities that include preparation and coordination of workforce management requests.

6. Information Technology: This function includes the development of agency-wide IT enterprise architecture plans; hosting and support of NOAA-wide business applications; advisory activities on agency-wide IT resources and system development; IT infrastructure modernization programs; IT support for network operation center, web operations center, security operations center, message operations center, telecommunications operations, email services, etc.; and program management of NOAA-wide IT programs. Coordination of IT matters through the NOAA CIO Counsel is also part of this function. The CIO's office at the NOAA headquarters level is responsible for the overall direction, development and oversight of the services listed above and ensuring compliance with the Clinger-Cohen Act. The headquarters at the LOs are involved in these services as they relate to the IT needs of each LO. The FMCs involvement includes ensuring compliance (at their level) of IT maintenance, security, and training requirements. All levels are responsible for FISMA compliance.

7. Legal Services: This function includes such services as the provision of legal analysis and advice, drafting and review of legislation, legal review of contracts and grant agreements, issuing legal opinions, and other legal services. These services are performed by the Office of the General Counsel at the NOAA headquarters level in support of NOAA's technical and scientific requirements. Line Offices and FMCs do not conduct these activities.

#### 12-07 EFFECT ON OTHER ISSUANCES.

None.

#### 12-08 APPENDIX.

Appendix A provides a summary of how Line Offices develop M&A estimates, the methodologies used to assess M&A costs for direct programs, and the rationale for selecting the assessment methodology.

#### 12-09 EXHIBITS.

The following materials are used in the development and review of the NOAA Direct Bill described in section 12-04.10.

Exhibit 1. Direct Bill Proposal Cost Worksheet

NOAA FY XX DIRECT BILL PROPOSALS COST WORKSHEET (000's)													
LO/SO	Description	Line Office		Line Office		Line Office		Staff Office		Staff Office		Totals	
		FY X1	FY X2	FY X1	FY X2	FY X1	FY X2	FY X1	FY X2	FY X1	FY X2	FY X1	FY X2
General Counsel	Legal Support	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AGO	Acquisition Support	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Direct Bill</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	0.00	0.00

Exhibit 2. Direct Bill Proposal Request

FYXXX DIRECT BILL PROPOSAL REQUEST

TITLE:

REQUIREMENT/SERVICE:

SPONSOR NAME: (Proposal should have the sponsorship of at least one LO CFO or CFMD Chief to be considered; no exceptions)

ACCOUNTABILITY REPRESENTATIVE : (name(s) of person with technical knowledge of service /product and knowledge of cost requirements)

NAME:

TELEPHONE NUMBER:

EMAIL:

FUNDING PROFILE (in 000's)		
Amount	FY2011	FY2012
Requested		
Approved		
Obligated		

JUSTIFICATION FOR CHANGE IN REQUESTED AMOUNT FROM FY 2011:

RECURRING NOAA CORPORATE COSTS? YES \_\_\_\_\_ NO \_\_\_\_\_

FEDERAL FTE (IF YES PROVIDE #)? YES \_\_\_\_\_ NO \_\_\_\_\_

CONTRACTOR FTE (IF YES PROVIDE #)? YES \_\_\_\_\_ NO \_\_\_\_\_

DETAILED EXPLANATION OF RISK AND/OR IMPACT OF NOT FUNDING: (Required for both recurring and new direct bill requests)

BACKGROUND INFORMATION: (Describe in detail what service/good is being provided, who are the users/ benefactors, why this is not funded in base funding, what activities/costs are ongoing support versus new initiatives, and any other pertinent information):

PROPOSED BASIS FOR ALLOCATING COSTS TO LINE/STAFF OFFICES: (Describe the method and rational for the method)

COSTS ALLOCATION BY LINE AND STAFF OFFICE:

Object Class	FY12 Amount (in 000's)	FY12 Increase over FY11
11XX	2	
12XX	2	
21XX	0	
22XX	0	
23xx	0	
24xx	0	
25xx	11	5
26xx	0	
31xx	0	
41xx	0	
Totals	15	5

(\$ in 000's)				
Office	FY2011 \$	FY2011 %	FY2012 \$	FY2012 %
NOS	2	13.3%	3	20.0%
NMFS	2	13.3%	3	20.0%
OAR	2	13.3%	3	20.0%
NWS	2	13.3%	3	20.0%
NESDIS	2	13.3%	3	20.0%
OMAO	0.5	3.3%	2	13.3%
USAO	0.5	3.3%	0.3	2.0%
GC	0.5	3.3%	0.3	2.0%
Education	0.5	3.3%	0.3	2.0%
AGO	0.5	3.3%	0.3	2.0%
CAO	0.5	3.3%	0.4	2.7%
CFO	0.5	3.3%	0.5	3.3%
CIO	0.5	3.3%	0.3	2.0%
WFM	0.5	3.3%	0.3	2.0%
PPI	0.5	3.3%	0.3	2.0%
Total	15		20	

Exhibit 3. Line Office M&A Budget Estimate. A table similar to the one below appears in the base narrative of the Line Office section of the President's Budget (Congressional Justification) and is summarized as a special exhibit for all Line Offices.

M&A Category	Dollars (Budget Year in Thousands)	FTE
General Management and Direction/Executive Management		
Budget and Finance		
Facilities/Other Administrative (CAO functions)		
Human Resources		
Acquisition and Grants		
Information Technology		
Total, Line Office		

Appendix A  
Management and Administrative Costs  
Line Office Assessment Methodologies and Rationale

1. Provide a general description of the procedures followed by the Line Office each year to determine the total amount of funding required for Management and Administrative (M&A) activities.

Each NOAA Line Office and OMAO follows a similar process to develop their funding requirements for Management and Administrative (M&A) costs in their Line Office headquarters. It includes the following:

- Prior to the beginning of the fiscal year, Line Offices build their headquarters M&A funding estimates by reviewing requirements for management and administrative activities and evaluating any changes.
- Funding estimates are formulated according to traditional budget formulation practices and include labor and non-labor costs. Considerations include staffing levels, prior year costs, ongoing contract activities, and other recurring and fixed costs.
- Budgets are reviewed and approved by Line Office management including the Line Office Chief Financial Officer, Deputy Assistant Administrator, Assistant Administrator, and board or committee as applicable.
- Estimates for each Line Office's M&A headquarters costs are presented in the President's Budget as a special exhibit in seven standard M&A functions defined in the Finance handbook chapter 12.
- Following the enacted budget, each Line Office reviews their headquarters M&A budgets and makes any required adjustments based on the outcome of the appropriation.
- Each Line Office provides funding allocations within its headquarters unit according to its organizational structure. Costs are tracked in execution according to the standard set of M&A functions.



2. Describe the algorithms used by Line Offices to determine the assessment needed from each Program, Project, or Activity (PPA) given the total Management and Administrative (M&A) costs funding requirement for their Line Office headquarters. If any PPAs are excluded, provide and explain. Note how adjustments are typically handled during the year of execution.

NOAA Line Offices generally assess direct PPAs for their share of M&A costs based on federal labor, total budget authority, or a combination of these approaches. Each Line Office's assessment methodology is described below.

Line Office	Assessment Methodology
NESDIS	The NESDIS assessment methodology includes both federal labor and total budget authority. A standard surcharge is applied to all federal labor costs incurred along with a flat rate of budget authority from PPAs. Adjustments to assessments are typically made only for changes in the appropriation, or as a result of any limits on assessments by PPA by Congress (none currently).
NMFS	The NMFS assessment methodology is based on a percentage of total budget authority. All PPAs are assessed a standard percentage of budget authority with two exclusions: Regional Councils and Facilities Maintenance. Regional Councils have always been considered separate and exempt from indirect costs and this process. Facilities Maintenance funds are used to pay "fixed" lease costs in several regions. They are a form of M&A outside headquarters and therefore not included. Adjustments to assessments are typically made only for changes in the appropriation.
NOS	The NOS assessment methodology is based on a percentage of total budget authority. Each PPA in the budget is assessed a standard percentage except where Congress specifically excludes or limits assessments. NOS programs with exclusions or limitations to Line Office M&A assessments include Marine Debris, Coral Reef Program, National Estuarine Research Reserves, Coastal Zone Management grants, Regional Integrated Ocean Observing System grants, and the Coastal Estuarine Land Conservation Program. Adjustments to assessments are typically made only for changes in the appropriation.
NWS	The NWS assessment methodology is based on a percentage of total budget authority. Each PPA in the budget is assessed a standard percentage of its budget authority with two exceptions: Local Warnings and Forecasts and Central Forecast Guidance. These accounts represent base funding for NWS core operations and are assessed based upon their respective budgets and annual funding needs. Adjustments to assessments are typically made only for changes in the appropriation.
OAR	The OAR assessment methodology is based on total federal labor (direct, reimbursable, and internal funds). OAR establishes a labor surcharge rate resulting in an amount by FMC and PPA at the beginning of the fiscal year. This surcharge rate is monitored and reviewed quarterly to ensure that collection and expenses are in line. If collections and expenses are not in line, BOP assessments are executed. This is done to preclude having to increase the OAR surcharge rate. Adjustments to assessments are typically made only for

	changes in the appropriation.
OMAO	The OMAO assessment methodology distributes M&A costs to two primary activities that represent OMAO operations. Two PPAs, Marine Services and Aircraft Services are assessed based on their respective budgets and the associated ship and aircraft management and administrative support they demand. Adjustments to assessments are typically made only for changes in the appropriation.

3. Provide the rationale for why the chosen assessment methodology is best for the Line Office given the line office management’s needs and its operating environment. The justification should address but not dwell on the choice of a pro rata versus a needs-based approach. Both of these general approaches are acceptable if they meet the need of the Line Office. The choice of a factor or factors used in a pro-rata procedure should be justified.

NOAA includes a diverse set of mission activities that vary significantly among Line Offices. Budgets range from those heavily focused on acquisition and contract activities to those with a greater emphasis on federal labor and grants. As a result, NOAA Line Offices have adopted differing M&A assessment methodologies that best suit their programs and operating environments. They generally consist of approaches based on federal labor, total budget authority, or a combination of these approaches. Each Line Office’s rationale for their methodology is described below.

Line Office	Rationale for Assessment Methodology
NESDIS	<ul style="list-style-type: none"> <li>• The NESDIS approach using both labor and total budget authority as the basis for M&amp;A assessments recognizes that all programs receive benefit of Line Office headquarters M&amp;A activities and reflects the composition of the NESDIS budget.</li> <li>• The labor element of the approach builds on capability established in CBS to apply surcharges based on federal labor dollars. Many administrative functions correlate with the size of the labor base.</li> <li>• The portion driven by total budget authority recognizes that satellite acquisition activities make up the vast majority of the NESDIS budget while requiring a comparatively small proportion of the labor force. Additionally, it reflects the comparative instability of the acquisition program budgets and the amount of time and effort expended by headquarters in support of those activities.</li> <li>• Labor and total budget authority are common methods of distributing general or common costs that support multiple programs in the absence of more detailed cost information on services received by program.</li> <li>• Specific, detailed M&amp;A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits.</li> <li>• This approach is consistent with past practice and with assumptions used in budget development, and is well understood by NESDIS programs.</li> </ul>
NMFS	<ul style="list-style-type: none"> <li>• The NMFS approach based on total budget authority as the driver for M&amp;A assessments reflects the full costs of Fisheries programs. The relative size of program budgets provides a good representation of M&amp;A support provided by NMFS headquarters. For example, larger programs typically generate greater volumes of work in a number of administrative functions.</li> <li>• Total budget authority is a common method of distributing general or common costs that support multiple programs in the absence of more detailed cost information on services received by program.</li> </ul>

	<ul style="list-style-type: none"> <li>• Specific, detailed M&amp;A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits.</li> <li>• The total budget authority approach makes use of capability in CBS to distribute M&amp;A costs proportionally to programs based on planned amounts.</li> <li>• This approach is consistent with past practice and with assumptions used in budget development, and is well understood by NMFS programs.</li> </ul>
NOS	<ul style="list-style-type: none"> <li>• The NOS approach based on total budget authority as the driver for M&amp;A assessments reflects the full costs of NOS programs. The relative size of program budgets provides a good representation of M&amp;A support provided by NOS headquarters. For example, larger programs typically generate greater volumes of work in a number of administrative functions.</li> <li>• Total budget authority is a common method of distributing general or common costs that support multiple programs in the absence of more detailed cost information on services received by program.</li> <li>• Specific, detailed M&amp;A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits.</li> <li>• The total budget authority approach makes use of capability in CBS to distribute M&amp;A costs proportionally to programs based on planned amounts.</li> <li>• This approach is consistent with past practice and with assumptions used in budget development, and is well understood by NOS programs.</li> </ul>
NWS	<ul style="list-style-type: none"> <li>• The NWS approach of assessing M&amp;A costs to direct programs based on a standard percentage of budget authority recognizes the benefits received by direct programs. An equal percentage by program provides an equitable distribution of M&amp;A support provided by NWS headquarters. For example, larger programs typically generate greater volumes of work in a number of administrative functions.</li> <li>• Total budget authority is a common method of distributing general or common costs that support multiple programs in the absence of more detailed cost information on services received by program.</li> <li>• NWS makes use of CBS to systematically distribute M&amp;A costs to direct programs.</li> <li>• Specific, detailed M&amp;A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits.</li> <li>• This approach builds on and refines past practice. It will be applied consistently, will be consistent with assumptions used in budget development, and will be communicated effectively to NWS programs.</li> </ul>
OAR	<ul style="list-style-type: none"> <li>• OAR M&amp;A costs are assessed based on total federal labor. OAR's budget and work is heavily driven by its scientific staff in its laboratories and this method accurately represents M&amp;A support</li> </ul>

	<p>provided.</p> <ul style="list-style-type: none"> <li>• Labor costs is a common method of distributing general or common costs that support multiple programs in the absence of more detailed cost information on services received by program. Many administrative functions correlate with the size of the labor base.</li> <li>• The labor approach builds on capability initially established in CBS to apply surcharges based on federal labor dollars.</li> <li>• Specific, detailed M&amp;A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits.</li> <li>• This approach is consistent with past practice and with assumptions used in budget development, and is well understood by OAR programs. OAR also performs significant reimbursable work and this assessment methodology is known by its external customers.</li> </ul>
<p>OMAO</p>	<ul style="list-style-type: none"> <li>• OMAO M&amp;A costs are planned and directly charged to the two primary operational activities in its budget and this provides an accurate representation of M&amp;A support for OMAO’s activities.</li> <li>• While the M&amp;A costs are not assessed from the programs using a set percentage, OMAO monitors the M&amp;A budgets to ensure they are proportional to the relative size of program budgets. Thus, total budget authority is the driver for M&amp;A assessments and reflects the full costs of OMAO programs. The relative size of program budgets provides a good representation of M&amp;A support provided by OMAO headquarters.</li> <li>• Specific, detailed M&amp;A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits.</li> <li>• This approach builds on and refines past practice. It will be applied consistently, will be consistent with assumptions used in budget development, and will be communicated effectively within OMAO.</li> </ul>