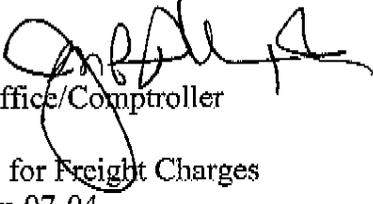




APR 12 2007

MEMORANDUM TO: Accounting Operations Division and  
Field Financial Branches

MEMORANDUM FROM: Jon P. Alexander   
Director, Finance Office/Comptroller

SUBJECT: Proper Object Class for Freight Charges  
Policy Memorandum 07-04

**Background:** Office of Management and Budget (OMB) Circular No. A-11 provides guidance on preparing the annual budget submission and includes instructions on budget execution, including object classification. Object classes are categories in a classification system that presents obligations by the items or services purchased by the Federal Government. The object classes present obligations according to their initial purpose, not the end product or service. Object class guidance is contained in Schedule O of OMB Circular A-11. In addition, objects classes used by NOAA are posted on the Finance Office web site at <http://www.corporateservices.noaa.gov/~finance/objectclasses.html>.

I have recently learned that the object class for freight charges is not being used consistently throughout the Finance offices. As a result of this inconsistent application, a decision has been requested on the proper object class for freight charges.

**Purpose:** The purpose of this policy memorandum is to establish policy concerning the proper use of the object class for freight charges.

**Policy:** The Finance Office should always use Object Class 22-13 when paying for freight (other than US Postage). According to the Finance Office web site, Object Class 22-13 is to be used for "Costs for transporting things not otherwise classified such as charges by common carrier and contract carrier, including freight and express, demurrage, switching, recrating, refrigerating, and other incidental expenses; charges for hauling and handling, other services incident to local transportation, including contractual transfers of supplies and equipment (excludes GSA truck rentals which would be charged to object class 22-14-00-00); and charges for contractual transportation of mail by water, rail, air, and motor vehicles including all express small package system (ESPS) accounts (does not include service provided by the U.S. Postal Service - see object class 23-30-00-00)."

NOAA's object class definition for "Transportation of Things" (22-XX) specifically states that it excludes transportation costs paid for by the vendor, regardless of whether the cost is itemized on the bill for the goods purchased by the Government which is consistent with OMB Circular A-11. Incorrect usage of an object class causes budget and financial data to be incorrectly reported to the Department of Commerce and OMB.

