

CHAPTER 12

ADMINISTRATIVE COSTS

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12-01 PURPOSE

This chapter prescribes policies and procedures pertaining to administrative costs, such as Management and Administrative (M&A) costs, including direct bill costs, and costs associated with Common Services at the National Oceanic and Atmospheric Administration (NOAA).

12-02 SCOPE

This policy is applicable to NOAA headquarters staff offices (SO) and line offices (LO) responsible for accumulating, measuring, analyzing, interpreting, and reporting cost information. Further, it provides guidance to NOAA’s Financial Management Centers (FMCs) on costing methodologies for administrative costs.

12-03 AUTHORITY

Federal Managers’ Financial Integrity Act (FMFIA) of 1982 (31 U.S.C. 3512), requires ongoing evaluation and reporting on an agency’s internal controls. FMFIA is available online at:

<https://www.govinfo.gov/content/pkg/STATUTE-96/pdf/STATUTE-96-Pg814.pdf>

Office of Management and Budget (OMB) Circular A-11, which contains instructions relating to budget formulation and reports on budget execution. Circular A-11 is available online at:

<https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf>

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. SFFAS 4 is available online at: http://files.fasab.gov/pdf/files/handbook_sffas_4.pdf

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control. Circular A-123 is available online at: <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>

Department of Commerce (DOC) Accounting Principles and Standards Handbook, Chapter 12, MANAGERIAL COST ACCOUNTING, which provides guidance on accumulating costs at the bureau-level. Chapter 12 is available online at: http://www.osec.doc.gov/ofm/Accounting/Final_Chapter_12_Acctg_Hdbk_6-3-16.pdf

NOAA Strategy Execution & Evaluation (SEE), provides a detail roadmap of for accomplishing NOAA's long-term goals and five year objectives established within the DOC strategic plan. Information related to SEE is available online at: <https://www.performance.noaa.gov/see/>

12-04 POLICY

As part of these policies and procedures, NOAA defines its administrative activities, outlines practices for presenting, executing, and tracking these costs, and provides for control, adherence to standards, and periodic review.

12.04.01 ADMINISTRATIVE COSTS

M&A 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, LO headquarters, Program Office or FMC leadership) represent those activities performed centrally that support multiple or all components of the respective organization, rather than a single program or component. For example, a NOAA staff office provides oversight and service to all components of NOAA, a LO headquarters supports all LO 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.

Each line office is divided into FMC to perform the mission-related work of the LOs, as well as to assign and track resources. Each LO includes a headquarters office and several FMCs below the line office level. LO headquarters units house NOAA's assistant administrators and perform a variety of policymaking, budgeting, coordination, and oversight activities. FMCs below the line office level manages specific programs and projects within the purview of each line office and manages their own FMC activities. Each FMC receives funding from one or more Program, Project, or Activity (PPA), and the FMC decides how it will fund its program. The FMCs have the responsibility for management of funds (allowances) to which obligations are posted and for

tasks to which costs are charged.

Common Services, at each level of the organization (NOAA, LO, Program or FMC), represent those centrally managed and billed services that broadly benefit and support multiple or all components of the respective organization and cannot be directly tied to a single program. Common Services includes costs associated with multiple support functions in NOAA organizations and are a fundamental and necessary component of the full costs to complete NOAA's mission and objectives. Costs relating to Common Services are required to be equitably distributed among the PPAs at each level of the organization on a reasonable and consistent basis. Common Services may include costs associated with various M&A cost categories, as well as non-M&A cost categories and/or programs. Section 12-06 provides additional information and examples for Common Services.

12.04.02 BUDGET FORMULATION/JUSTIFICATION

During the budget formulation phase of NOAA's Strategy Evaluation and Execution (SEE) process, LO M&A costs will be verified and submitted to the NOAA Budget Office. LOs 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 LOs and NOAA Budget. LOs should seek to minimize cost growth and continue to identify administrative efficiencies in formulating their future M&A budgets. An example of the LO information provided in the President's Budget appears in section 12-12, Exhibit 3. More information about the SEE process can be found at: <https://www.performance.noaa.gov/see/>.

12.04.03 LO ASSESSMENT METHODOLOGIES

NOAA's LOs include a wide range of program activities such as daily operational products and services, scientific research, and major acquisitions. As a result, LOs 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.

Additionally, LOs may employ differing techniques to appropriately assess costs relating to Common Services. Methodologies generally consist of approaches based on actual cost assignment or usage, square footage, FTE and/or inclusion in M&A costs (based on Federal labor and/or total budget authority), or a combination of these approaches. Costs that directly or indirectly contribute to a LOs full costing should be assigned through costing methodologies that are most appropriate to the LO and should be followed consistently. The cost assignments should be performed using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically practicable, (b) assigning costs on a cause-and-effect basis, or (c) allocating costs on a reasonable and consistent basis.

Supporting costs can be allocated to segments and outputs on a prorated basis. The cost allocations may involve two steps. The first step allocates the costs of support services to segments, [NOAA's LO and FMCs] and the second step allocates those costs to the outputs of each segment. The cost allocations are usually based on a relevant common denominator such as the number of employees, square footage of office space, or the amount of direct costs incurred in segments.

Detailed information on LO methodologies are included in section 12-08, Appendix A and section 12-09, Appendix B. 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://files.fasab.gov/pdffiles/handbook_sffas_4.pdf.

12.04.04 BUDGET EXECUTION PLANNING AND OVERSIGHT

LOs will finalize their administrative costs execution plans by function and associated amounts by 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 LOs using the Internal Fund, NOAA Budget will enter allotments by LO in the Commerce Business System (CBS). LO 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 LO CFO.

LO 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.

12.04.05 RECORDING OBLIGATIONS AND USE OF STANDARD CODING FOR M&A COSTS

LOs 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. LOs should develop operating plans in accordance with their organizational structure and provide sufficient tracking that allow them to report obligations by standard M&A functions. LOs will use the specific codes listed in this section to track M&A costs in their headquarters.

LOs 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 LO headquarters,

and LOs will use the codes below to designate M&A costs by function beginning in FY 2012. LOs 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 LOs must use M&A codes for their LO headquarters M&A costs in a consistent manner to support standard reporting. FMCs are not required to use the standard coding structure in the project codes for M&A categories; however, FMCs are required to track and report costs by M&A category, if requested.

Code	M&A Function
M	General Management and Direction / Executive Management
B	Budget and Finance
F	Facilities/Other Administrative (Chief Administrative Officer [CAO] functions)
H	Human Resources
A	Acquisitions 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 LOs. 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.

12.04.06 MONTHLY DISTRIBUTION PROCESS TO DIRECT ACTIVITIES

For those LOs using the Internal Fund to track their M&A costs in their LO 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.

12.04.07 EXECUTION REPORTING PROCEDURES

LOs will report the obligation of funds as needed to NOAA Budget in the functional categories listed in 12.04.05. NOAA Budget or CFO may include the status of these funds in year-end execution reviews.

12.04.08 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.

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 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. LOs and FMCs are responsible for ensuring the corresponding rates are up-to-date and consistent with anticipated spend plans.

12.04.09 ADHERENCE TO STANDARDS AND CONTROLS

LO administrative costs and the NOAA direct bill are conducted in accordance with OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and 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) is responsible for overall M&A cost processes and LO CFOs are responsible for effective implementation of practices in LOs in accordance with the published policies and procedures. The CFO Council serves 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 is available online at: <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>

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; and
- 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 General Services Administration (GSA) rent; information technology system support such as MARS, CBS Help Desk, Grants online, licensing, Cyber Security Assessment and Management (CSAM), and Web Operations Center; and information technology (IT) 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 National Environmental Policy Act (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 LOs.

Direct Bill Payment Methods

The method used to effect payment varies:

- Direct allotments to an entities organization code from the payer Line or Staff Office.

- Budget operating plan transfers from the payer to the payee.
- Direct citation of the payer accounting information.

Exhibits provide 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 NOAA CFO are the Budget and Finance Offices. The NOAA CFO has overall management and oversight responsibility for the policies and procedures for 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 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 administrative costs, as well as implementation of formulation and execution activities for M&A in LO 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 NOAA Finance Office is also responsible for ensuring that NOAA's bills are paid in a timely manner. For M&A 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 Office of Human Capital Services (OHCS). Membership includes these offices, other headquarters offices including the Chief Information Officer (CIO), and the LO 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 NOAA Executive Panel (NEP) or the NOAA Executive Council (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.

LO CFO - The 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. LOs have responsibility and accountability for their LO's administrative costs, including formulation and execution activities, and adherence to policies and standards. The CFO represents their LO in the NOAA direct bill process, and serves as the LO's representative to the CFO Council.

LO Budget Staff - The 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; 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 LO including monthly, quarterly and annual internal and external reports. LO budget staff are responsible for development, implementation, and review of administrative costs in their LO in accordance with published policies and procedures. LO 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 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 LO headquarters, AAs and DAAs make decisions

regarding the requirements for and content of their headquarters operations, and work with their LO CFO to review and approve the formulation and execution of the headquarters M&A budget.

12-06 DEFINITIONS

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; and
- Legal Services.

Specific services in each M&A function are performed at some or all of the organizational levels (i.e., NOAA headquarters, LO 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.
- LO 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 LO.

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 LOs coordinate between the NOAA Acquisition and Grants Office and FMCs. Generally, FMCs carry-out detailed COTR 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 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 LO 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 LOs, this category will include international, communications, and education activities performed within the LO headquarters that support multiple (versus one or limited) programs in that LO.

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 Office of Human Capital Services 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 Equal Employment Opportunity 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 Council 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 Federal Information Security Management Act 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. LOs and FMCs do not conduct these activities.

8. Common Services: Defined as those centrally managed and billed services needed to support NOAA mission programs. Common Services may include costs associated with various M&A cost categories, as well as non-M&A cost categories and/or programs. Common Services can include, but are not limited to, costs such as rent, utilities, postage and mailing services,

warehouse services, copy/printing services (including supplies and maintenance), transportation subsidy, IT-related services, and above standard services.

12-07 EFFECT ON OTHER ISSUANCES

This Chapter supersedes Chapter 12 of the NOAA Finance Handbook, dated July 12, 2013.

12-08 APPENDIX A. M&A COSTS – LINE OFFICE ASSESSMENT
METHODOLOGIES AND RATIONALE

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

The following is a general description of the procedures followed by the LO each year to determine the total amount of funding required for M&A activities. Each NOAA LO and OMAO follows a similar process to develop their funding requirements for M&A costs in their LO headquarters. It includes the following:

- Prior to the beginning of the fiscal year, LOs build their headquarters M&A funding estimates by reviewing requirements for M&A 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 LO management including the LO Chief Financial Officer, Deputy Assistant Administrator, Assistant Administrator, and board or committee, as applicable.
- Estimates for each LO’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 NOAA Finance Handbook chapter 12.
- Following the enacted budget, each LO reviews their headquarters M&A budgets and makes any required adjustments based on the outcome of the appropriation.
- Each LO 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.

The following table includes the algorithms used by LOs to determine the assessment needed from each Program, Project, or Activity (PPA) given the total M&A costs funding requirement for their LO headquarters. Note excluded PPAs and how adjustments are typically handled during the year of execution. NOAA LOs generally assess direct PPAs for their share of M&A costs based on federal labor, total budget authority, or a combination of these approaches except where there are limits on assessments by PPA by Congress. Each LO’s assessment methodology is described below.

LO	Assessment Methodology
NESDIS	The NESDIS assessment methodology is based on both federal labor and total budget authority. Each PPA is assessed a standard percentage of its total budget authority. 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, except where Congress specifically excludes or limits assessments, with the following exception: Facilities Maintenance. 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, including Nancy Foster Scholarship funds, Marine Debris, Coral Reef Program, National Estuarine Research Reserves, Coastal Zone Management grants, Regional Integrated Ocean Observing System grants, Coastal Estuarine Land Conservation Program and Title IX. 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.
OAR	The OAR assessment methodology is based on an equal percentage of a total onboard count of FTEs (direct, reimbursable, and internal funds) and percentage of total direct budget authority. All PPAs are assessed with the following exception: Sea Grant College Program. OAR establishes a labor surcharge rate on all projected labor costs to cover expenses, resulting in a static amount due from each FMC at the beginning of the fiscal year. Payment is made throughout the year by the generation of earnings through the application of the Commerce Business System overhead process. 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 M&A support they demand. Adjustments to assessments are typically made only for changes in the appropriation.

The following table includes the rationale for why the chosen assessment methodology is best for the LO given the LO 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 LO. 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 LOs. 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 LOs 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 LO's rationale for their methodology is described below:

LO	Rationale for Assessment Methodology
NESDIS	<ul style="list-style-type: none"> • The NESDIS approach using both labor and total budget authority as the basis for M&A assessments recognizes that all programs receive benefit of LO headquarters M&A activities and reflects the composition of the NESDIS budget. • 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. • 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. • 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. • Specific, detailed M&A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits. • This approach is consistent with past practice and with assumptions used in budget development, and is well understood by NESDIS programs.

<p>NMFS</p>	<ul style="list-style-type: none"> • The NMFS approach based on total budget authority as the driver for M&A assessments reflects the full costs of Fisheries programs. The relative size of program budgets provides a good representation of M&A support provided by NMFS headquarters. For example, larger programs typically generate greater volumes of work in a number of administrative functions. • 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. • Specific, detailed M&A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits. • The total budget authority approach makes use of capability in CBS to distribute M&A costs proportionally to programs based on planned amounts. • This approach is consistent with past practice and with assumptions used in budget development, and is well understood by NMFS programs.
<p>NOS</p>	<ul style="list-style-type: none"> • The NOS approach based on total budget authority as the driver for M&A assessments reflects the full costs of NOS programs. The relative size of program budgets provides a good representation of M&A support provided by NOS headquarters. For example, larger programs typically generate greater volumes of work in a number of administrative functions. • 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. • Specific, detailed M&A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits. • The total budget authority approach makes use of capability in CBS to distribute M&A costs proportionally to programs based on planned amounts. • This approach is consistent with past practice and with assumptions used in budget development, and is well understood by NOS programs.

<p>NWS</p>	<ul style="list-style-type: none"> • The NWS approach of assessing M&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&A support provided by NWS headquarters. For example, larger programs typically generate greater volumes of work in a number of administrative functions. • 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. • NWS makes use of CBS to systematically distribute M&A costs to direct programs. • Specific, detailed M&A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits. • 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.
<p>OAR</p>	<p>OAR M&A is assessed based on an equal percentage of the total on-board count of FTEs (direct, reimbursable, and internal funds) and percentage of total direct budget authority. OAR’s budget and work efforts are heavily driven by its scientific staff in its laboratories and this method accurately represents M&A support provided.</p> <ul style="list-style-type: none"> • A blended distribution model of 50% on board FTE and 50% enacted dollars has been developed for OAR. It 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 the program. All administrative functions correlate with a percentage of budget authority as well as a percentage of on board count. • The current cost distribution model ensures transparency and equitable distribution of OAR HQ cost across scientific programs. • Specific, detailed M&A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits. • 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.

OMAO	<ul style="list-style-type: none">• OMAO M&A costs are planned and directly charged to the two primary operational activities in its budget and this provides an accurate representation of M&A support for OMAO’s activities.• While the M&A costs are not assessed from the programs using a set percentage, OMAO monitors the M&A budgets to ensure they are proportional to the relative size of program budgets. Thus, total budget authority is the driver for M&A assessments and reflects the full costs of OMAO programs. The relative size of program budgets provides a good representation of M&A support provided by OMAO headquarters.• Specific, detailed M&A cost data linked to individual direct programs is not available. The costs of collecting this information would be prohibitive and exceed the benefits.• 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.
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**12-09 APPENDIX B. COMMON SERVICES – LINE OFFICE ASSESSMENT
METHODOLOGIES (EFFECTIVE FY 2014)**

Appendix B provides a summary of LO methodologies used to assess for costs associated with Common Services

The following is a general description of the procedures followed by the LO each year to determine the total amount of funding required for costs associated with Common Services. Each NOAA LO and OMAO follows a similar process to develop their funding requirements for Common Services. It includes the following:

- Prior to the beginning of the fiscal year, LOs build their headquarters Common Services funding estimates by reviewing requirements and evaluating any changes.
- Funding estimates are formulated according to traditional budget formulation practices. Considerations include actual cost assignment or usage, square footage, FTE and/or inclusion in M&A costs (based on Federal labor and/or total budget authority), or a combination of these approaches.
- Budgets are reviewed and approved by LO management including the LO Chief Financial Officer, Deputy Assistant Administrator, Assistant Administrator, and board or committee, as applicable.
- Each LO reviews their Common Services budgets and makes any required adjustments.
- Each LO provides funding allocations according to its Common Services activities.

Methodologies generally consist of approaches based on actual cost assignment or usage, square footage, FTE and/or inclusion in M&A costs (based on Federal labor and/or total budget authority), or a combination of these approaches. Few PPAs may be excluded from assessments for various approved reasons or as a result of any limits on assessments of administrative costs by PPA by Congress. LO exceptions are described in the table below.

Line Office	Exceptions
NMFS	Facilities Maintenance.
NOS	Nancy Foster Scholarship Funds, Marine Debris, Coral Reef Program, National Estuarine Research Reserves, Coastal Zone Management grants, Regional Integrated Ocean Observing System grants, Coastal Estuarine Land Conservation Program and Title IX.
OAR	Sea Grant College Program.
NWS, NESDIS, and OMAO	Each PPA in the budget is assessed appropriately, and equitably, with no exceptions.

Each NOAA LO and OMAO uses a similar cost allocation methodology for costs relating to Common Services within their LO headquarters, including a combination of equitable cost allocations based on usage, square footage, FTE and allocation as part of M&A costs. Cost allocation methodologies include the following:

Cost	Methodology	Line Office(s)
<i>NOTE: For all LOs, applicable costs associated with M&A categories/personnel included are identified and charged to M&A and allocated in accordance with documented LO M&A methodology.</i>		
Rent	Equitable allocation to PPAs based on square footage.	NMFS, NOS, NESDIS, OAR, OMAO
	Equitable allocation to PPAs based on square footage, FTE and/or contract staff.	NWS
Utilities	GSA rent includes utilities (see Rent section for cost allocation methodology); for commercial rent utilities, equitable allocation to PPAs based on usage.	NMFS, NOS, NWS, NESDIS, OAR, OMAO
Postage & Mailing (includes USPS, FedEx, UPS, or Permit Mail charges)	Combination of LO-wide services (i.e., USPS) charged to M&A and allocated in accordance with documented LO M&A methodology, and equitable allocations to PPAs based on usage (i.e., FedEx, UPS).	NMFS, NOS, NESDIS, OMAO
	Combination of LO-wide services (i.e., Permit Mail) charged to M&A and allocated in accordance with documented LO M&A methodology, and equitable allocations to PPAs based on usage (i.e., USPS, FedEx, UPS).	NWS
	Equitable allocation to PPAs based on usage.	OAR
Warehouse Services (i.e., NLSC)	LO-wide services charged to M&A and allocated in accordance with documented LO M&A methodology.	NOS, OMAO, NWS
	N/A	NMFS, NESDIS, OAR
IT Related Services (includes Help Desk, Software, C&A)	Equitable allocation to PPAs based on usage.	NWS, NESDIS, OAR, OMAO
	Combination of LO-wide services charged to M&A and allocated in accordance with documented LO M&A methodology, and equitable allocations to PPAs based on usage.	NMFS, NOS

Above Standard Services	Equitable allocation to PPAs based on usage.	NOS, NESDIS
	LO-wide service charged to M&A and allocated in accordance with documented LO M&A methodology.	NMFS
	Equitable allocation to PPAs based on square footage, FTE and/or contract staff.	NWS
	N/A	OAR, OMAO
Copy/Printing Services (includes copy paper, copier maintenance) ***	Equitable allocation to PPAs based on usage.	NMFS, NOS, NWS, NESDIS, OAR, OMAO
Transportation Subsidy ***	Equitable allocation to PPAs based on usage.	NMFS, NOS, NWS, NESDIS, OAR, OMAO

***** With implementation of a NOAA-wide business process change, this category would no longer be classified as a Common Service.**

12-10 EXHIBIT 1. DIRECT BILL PROPOSAL COST WORKSHEET

The following materials are used in the development and review of the NOAA Direct Bill described in section 12.04.10.

NOAA FY XX DIRECT BILL PROPOSALS COST WORKSHEET													
LO/SO	Description	LO		LO		LO		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
Total Direct Bill		0.00	0.00	0.00	0.00	0.00	0.00						

12-11 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	FY20XX	FY20XX
Requested		
Approved		
Obligated		

JUSTIFICATION FOR CHANGE IN REQUESTED AMOUNT FROM FY 20XX:

RECURRING NOAA STAFF OFFICE 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 rationale for the method)

12-12 EXHIBIT 3. LO M&A BUDGET ESTIMATE

A table similar to the one below appears in the base narrative of the LO section of the President's Budget (Congressional Justification) and is summarized as a special exhibit for all LOs.

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, LO		