

January 2011

# FINANCIAL MANAGEMENT

## NOAA Needs to Better Document Its Policies and Procedures for Providing Management and Administration Services



G A O

Accountability \* Integrity \* Reliability

## Why GAO Did This Study

The National Oceanic and Atmospheric Administration (NOAA) is a bureau within the Department of Commerce (Commerce). To help achieve NOAA's program goals, it relies on management and administration (M&A) services, such as legal support and information technology. In response to the fiscal year 2010 Consolidated Appropriations Act Conference Report, GAO (1) examined how NOAA's M&A services are funded, (2) assessed the extent to which NOAA's policies and procedures for M&A services conform to applicable standards, and (3) estimated salaries and expenses for NOAA's budget for fiscal year 2009. Among other things, GAO reviewed documents on M&A services and data on M&A costs from NOAA officials for its headquarters; line offices, which are responsible for executing NOAA's programs; and a subset of financial management centers (FMC) within the line offices, which manage specific programs and projects.

## What GAO Recommends

GAO recommends that NOAA require its headquarters, line offices, and FMCs to document in a manual or handbook their policies and procedures for the M&A services they provide in line with federal cost accounting and internal control standards. NOAA reviewed a draft of this report and concurred with the recommendation.

## FINANCIAL MANAGEMENT

### NOAA Needs to Better Document Its Policies and Procedures for Providing Management and Administration Services

## What GAO Found

M&A services at NOAA are provided at four levels—Commerce, NOAA's headquarters, line offices, and FMCs—and each level funds its services in different ways. First, Commerce uses NOAA payments to the department's Working Capital Fund to support M&A services, such as legal services, that can be more efficiently provided centrally. It also uses payments to its Advances and Reimbursements Account for, among other things, payments to external parties for M&A services provided to the department as a whole. Commerce uses funds appropriated for departmental management to provide leadership services for the whole department, including NOAA. Second, NOAA's headquarters funds most of its M&A services using its corporate administrative services appropriation. NOAA's headquarters also uses a direct billing process to provide some unplanned services, such as issuing new identification cards, as well as pooled and additional services requested by line offices. Third, line offices fund the M&A services they provide by assessing their programs, projects, and activities in various ways. Finally, some FMCs fund M&A services through assessments of their subunits, while others do not track or separately define their M&A costs.

NOAA's headquarters, line offices, and FMCs have documented some of their policies and procedures for M&A services, but they have not done so to the full extent required by applicable internal control and federal cost accounting standards. Taken together, these standards require agencies to document in a manual or handbook (1) their policies regarding the types of M&A services they provide; (2) the procedures they use each year to determine the budgets for their M&A services; (3) their policies and procedures for assigning the costs of their M&A services to specific programs, activities, or outputs that benefit from the services, and the results of that assignment; and (4) the justification for why those assignments are appropriate. NOAA's headquarters has documented some of its policies and procedures for its M&A services in written yearly operating and spending plans, but has not done so in a manual or handbook. In addition, the line offices and FMCs have no or limited documentation of their policies and procedures for the M&A services they provide. This lack of documentation limits the availability of information on M&A services for agency officials and congressional decision makers and may hamper financial management and management decision making.

Estimated salaries and expenses for NOAA were about \$3.8 billion for fiscal year 2009, with approximately \$1.38 billion in estimated salaries and \$2.46 billion in estimated expenses. NOAA does not separately report salaries and expenses for each line of its budget. Therefore, GAO estimated salaries and expenses based on budget object class data. These estimates are approximate because salaries and expenses could be higher if they were accounted for in object classes that GAO did not include in its estimates.

---

# Contents

---

<b>Letter</b>		1
	Background	3
	M&A Services for NOAA Are Funded in a Variety of Ways	8
	NOAA's Documentation of Its Policies and Procedures for M&A Services Does Not Always Conform to Applicable Federal Standards	18
	Estimated Salaries and Expenses For NOAA Were About \$3.8 Billion for Fiscal Year 2009	24
	Conclusions	25
	Recommendation for Executive Action	26
	Agency Comments	26
<b>Appendix I</b>	<b>Objectives, Scope, and Methodology</b>	28
<b>Appendix II</b>	<b>Salaries and Expenses Data for NOAA's Budget for Fiscal Year 2009</b>	32
<b>Appendix III</b>	<b>Comments from the Department of Commerce</b>	44
<b>Appendix IV</b>	<b>GAO Contact and Staff Acknowledgments</b>	46
<b>Tables</b>		
	Table 1: Examples of Two Types of M&A Services Provided at Each Organizational Level	6
	Table 2: NOAA's Reported Direct Billings by Office, Fiscal Years 2007 through 2009	13
	Table 3: M&A Obligations Data Reported by NOAA Officials for Fiscal Years 2007 through 2009	17
	Table 4: Estimated Salaries and Expenses by NOAA Activity, Fiscal Year 2009	25
	Table 5: NESDIS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009	32
	Table 6: NMFS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009	34

---

Table 7: NOS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009	37
Table 8: NWS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009	38
Table 9: OAR Estimated Salaries and Expenses by Line Item, Fiscal Year 2009	39
Table 10: Program Support Estimated Salaries and Expenses by Line Item, Fiscal Year 2009	42

---

**Figure**

Figure 1: Four Organizational Levels Where M&A Services Are Provided at NOAA	5
--	---

---

**Abbreviations**

Commerce	Department of Commerce
FMC	financial management center
IT	information technology
M&A	management and administration
MARS	Management Analysis and Reporting System
NESDIS	National Environmental Satellite and Data Information Service
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NOS	National Ocean Service
NWS	National Weather Service
OAR	Office of Oceanic and Atmospheric Research
ORF	Operations, Research, and Facilities
object class	federal budget object classification
PAC	Procurement, Acquisition, and Construction
PPA	program, project, or activity

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



G A O

Accountability \* Integrity \* Reliability

United States Government Accountability Office  
Washington, DC 20548

January 31, 2011

The Honorable Daniel K. Inouye  
The Honorable Thad Cochran  
United States Senate

The Honorable Frank R. Wolf  
Chairman  
The Honorable Chaka Fattah  
Ranking Member  
Subcommittee on Commerce, Justice, Science,  
and Related Agencies  
Committee on Appropriations  
House of Representatives

Federal agencies rely on a variety of management and administration (M&A) services, such as workforce management and information technology, to help achieve their mission and program goals. By fully documenting their policies and procedures related to M&A services, and accounting for their costs, agencies can, among other things, provide relevant and reliable information to assist congressional decision makers in allocating federal resources and evaluating program performance. However, concerns have been raised about the availability of such information at the National Oceanic and Atmospheric Administration (NOAA), a bureau within the Department of Commerce (Commerce).

NOAA has a broad mission to understand and predict changes in the earth's environment and conserve and manage coastal and marine resources to meet the nation's economic, social, and environmental needs. To carry out this mission in fiscal year 2010, NOAA received an appropriation of about \$4.7 billion and relied primarily on five line offices to execute its programs: the National Environmental Satellite, Data, and Information Service (NESDIS); National Marine Fisheries Service (NMFS); National Ocean Service (NOS); National Weather Service (NWS); and the Office of Oceanic and Atmospheric Research (OAR). Each line office is divided into financial management centers (FMC) to perform the mission-related work of the line office, as well as to assign and track resources. For example, NMFS has 12 FMCs below the line office level that provide M&A services: of these 12 FMCs, 6 are regional offices and 6 are regional science centers.

---

To help achieve its mission, NOAA relies on a variety of M&A services. Major types of M&A services include leadership services,<sup>1</sup> planning and budgeting, legal support, acquisitions and grants administration, workforce management, information technology (IT) infrastructure and operations, and facilities support.

The Conference Report accompanying the Consolidated Appropriations Act for fiscal year 2010 directed GAO to report on how NOAA's M&A services are financed and to identify salaries and expenses within NOAA's budget.<sup>2</sup> In this context, we (1) examined how M&A services at NOAA are funded; (2) assessed the extent to which NOAA's policies and procedures for accounting for M&A services conform to applicable standards; and (3) estimated salaries and expenses for NOAA's budget for fiscal year 2009.

To examine how M&A services at NOAA are funded, we reviewed NOAA's documentation related to M&A services, including its policy and guidance documents. We also analyzed cost data on M&A services NOAA provided. We took steps to determine the reliability of that data, including reviewing documentation and interviewing knowledgeable agency officials, and we found that the data were sufficiently reliable for our purposes. To determine the extent to which NOAA's policies and procedures for accounting for M&A services conform to applicable standards, we compared NOAA's policies and procedures with applicable federal standards for managerial cost accounting and internal control. To address our first two objectives, we also interviewed officials from Commerce, NOAA's headquarters, each line office, and a subset of officials at FMCs within each line office. To estimate salaries and expenses for NOAA's budget for fiscal year 2009, we requested obligations data from NOAA's Budget Office, organized by federal budget object classification. We took steps to determine the reliability of these data, including reviewing documentation and interviewing knowledgeable agency officials, and we found that the data in the aggregate were sufficiently reliable for our purposes. It was beyond the scope of our engagement to determine the reliability of the more detailed salaries and expense data presented in

---

<sup>1</sup>For purposes of this report, "leadership services" refers to management, policymaking, and oversight functions by bureau officials.

<sup>2</sup>H.R. Rep. No. 111-366, at 647 (2009) (Conf. Rep.) accompanying Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, 123 Stat. 3034.

---

appendix II, and we did not do so. See appendix I for a more detailed description of our objectives, scope, and methodology.

We conducted this performance audit from March 2010 to January 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

## Background

The sections below describe (1) NOAA's organizational structure, (2) applicable standards for M&A services, and (3) the federal budget object classification system.

---

## NOAA's Organizational Structure

NOAA is one of the largest bureaus within Commerce. As mentioned earlier, five line offices—NESDIS, NMFS, NOS, NWS, and OAR—are primarily responsible for executing the agency's mission. Specifically:

- NESDIS provides access to global environmental data from satellites and other sources;
- NMFS manages, conserves, and protects living marine resources within the U.S. Exclusive Economic Zone;<sup>3</sup>
- NOS provides science-based solutions to address issues concerning oceans and coasts;
- NWS provides weather, water, and climate forecasts and warnings; and
- OAR works with NOAA's other line offices to provide a variety of research services in support of the agency's mission.

Each line office includes a headquarters office and several FMCs below the line office level. Line office headquarters units house NOAA's assistant

---

<sup>3</sup>The 1982 Convention on the Laws of the Seas granted coastal countries, such as the United States, exclusive economic zones that extend to a distance of 200 nautical miles out from a country's coast line. A country has special rights over the exploration and use of marine resources within its zone.

---

administrators and perform a variety of policymaking, budgeting, coordination, and oversight activities. FMCs below the line office level manage specific programs and projects within the purview of each line office and manage their own FMC activities. For example, 13 FMCs at OAR provide M&A services below the line office level, including the Office of Ocean Exploration and Research, which uses advanced undersea technologies to research and explore the oceans.

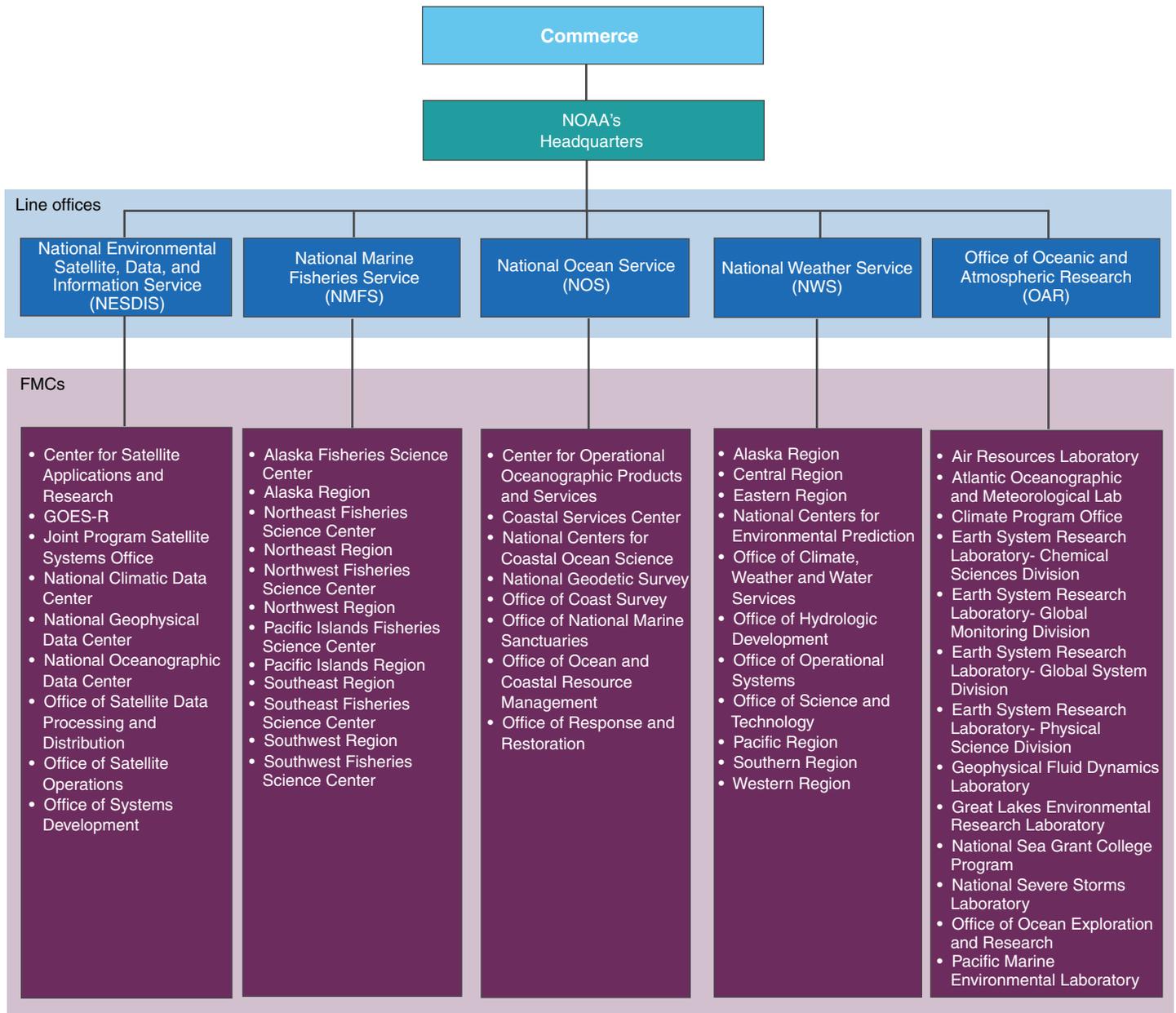
Each of the five line offices<sup>4</sup> receives funding from NOAA's overall appropriation in two main budget accounts: Operations, Research and Facilities (ORF) and Procurement, Acquisition, and Construction (PAC). According to NOAA officials, in general, the ORF account funds salaries, benefits, utilities, and other programmatic services (such as legal services and IT). The PAC account does not fund program services, rather it funds capital assets and investments of \$75 million or greater, such as the purchase of a new satellite. The ORF and PAC budget accounts each fund numerous programs, projects, or activities (PPA).<sup>5</sup> For example, in fiscal year 2010, the ORF account funded 285 PPAs. Each FMC receives funding from one or more PPAs, and the FMC decides how it will fund its program and M&A services. For example, in fiscal year 2010, OAR's National Sea Grant College Program received funding from three PPAs: (1) National Sea Grant College Program Base, (2) Aquatic Invasive Species Program, and (3) Marine Aquaculture Program. Figure 1 illustrates the four organizational levels discussed in this report—Commerce, NOAA's headquarters, line offices, and FMCs—where M&A services are provided.

---

<sup>4</sup>The five line offices that receive funds are also called budget activities. In addition to these five budget activities, NOAA has a sixth budget activity, Program Support, which funds, among other things, facility construction, acquisition management, and information security technology. The Program Support budget activity also funds the Office of Marine and Aviation Operations, whose mission includes operating NOAA ships and aircraft. According to a NOAA official, the agency allocates its appropriation as recommended in the conference report or explanatory statement that generally accompanies Commerce's annual appropriation.

<sup>5</sup>PPAs are defined as elements within budget accounts. See *GAO, A Glossary of Terms Used in the Federal Budget Process*, [GAO-05-734SP](#) (Washington, D.C.: September 2005). PPAs are intended to provide a meaningful representation of the operations financed by a specific budget account.

**Figure 1: Four Organizational Levels Where M&A Services Are Provided at NOAA**



Source: GAO analysis of NOAA documents.

The same broad types of M&A services, such as leadership and IT, are each provided at all four organizational levels, but the nature of these services varies depending on the needs of that level. Table 1 provides examples of how two types of M&A services—leadership and IT services—are generally provided at each organizational level.

**Table 1: Examples of Two Types of M&A Services Provided at Each Organizational Level**

Organizational level	Type of service	
	Leadership	IT
Commerce	The Secretary of Commerce provides leadership services, including policymaking, management, and oversight functions, for the entire department, including NOAA and the other bureaus.	Commerce’s Office of the Chief Information Officer formulates and oversees departmentwide IT security operations.
NOAA’s headquarters	NOAA’s Administrator, based in NOAA’s headquarters, provides leadership services such as determining policies and conducting oversight of the agency’s line offices.	NOAA’s Chief Information Officer manages IT services agencywide, such as overseeing NOAA’s Messaging Operations Center and e-mail services.
Line offices	Assistant Administrators in each line office oversee the work of that office by establishing officewide direction including program and performance priorities and coordinating, defining, and overseeing FMC operating practices consistent with NOAA-wide policies and other regulatory requirements.	Line office Chief Information Officers oversee FMC compliance with Federal regulatory and agencywide IT security policies, and provide common services to promote consistency and operating efficiency, among other things.
FMCs	FMC officials oversee operations related to each FMC’s specific programmatic focus.	FMC IT officials oversee activities such as procuring and supporting equipment and systems for the FMCs’ specific needs.

Source: Commerce and NOAA officials.

## Applicable Standards for M&A Service

Federal cost accounting standards provide guidance to federal agencies on assigning the costs they incur to the programs they support, the activities within these programs, and the outputs of these activities.<sup>6,7</sup> In practice, “assigning costs” for M&A services means that federal financial managers are to identify and document the costs of the M&A services that are provided to specific programs, activities, and outputs. For example, they should document what portion of the total costs for IT services is

<sup>6</sup>Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Standards and Concepts*.

<sup>7</sup>In this context, programs are the structures that agencies use to organize groups of their activities to produce desired outputs. Activities are those actions taken by a program to produce its outputs. Outputs are the goods, services, or other products that a program ultimately delivers to the customers that it serves.

---

attributable to specific programs, activities, and outputs that benefit from the service. According to the standards, cost accounting helps improve financial management and managerial decision making by providing useful information to people inside and outside an agency on its budget and performance.

The objectives of the federal cost accounting standards include:

- providing relevant and reliable information to program managers regarding the full costs of programs, their activities, and their outputs;
- providing relevant and reliable information to assist congressional and other decision makers in allocating federal resources, authorizing and modifying programs, and evaluating program performance; and
- ensuring consistency between costs reported in financial reports and costs reported to program managers.

The standards do not impose a specific methodology on federal agencies to satisfy these objectives but allow them the flexibility to design their own cost accounting systems. However, the standards call for all cost accounting activities, processes, and procedures to be documented by a manual, handbook, or guidebook. The documentation should (1) outline the specific programs, activities, and outputs for which costs will be determined; (2) provide instructions for procedures and practices to be followed in assigning costs, including M&A costs, to those program, activities, and outputs; and (3) contain examples of forms and other documents to be used.

In addition, standards for internal control in the federal government call for federal agencies to document their policies and procedures, which help managers exercise control over agency activities, including activities undertaken to manage and administer programs.<sup>8</sup> Policies and procedures include the methods federal agencies use to assign their M&A costs. The internal control standards also state that the documentation should be complete and periodically updated to reflect any changes to the policies and procedures.

---

<sup>8</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

---

To adhere to both internal control and federal cost accounting standards, as they relate to M&A services, federal agencies need to document their policies and procedures. Specifically, to meet internal control standards, agencies need to document:

- their policies regarding the types of M&A services they provide, and
- the procedures they use each year to determine the budget for their M&A services.

Furthermore, to meet both internal control and federal cost accounting standards, agencies also need to document:

- the policies and procedures they use for assigning the costs of their M&A services to specific programs, activities, or outputs that benefit from the services and the results of the cost assignments, and
- the justification for why those assignments are appropriate.

---

## The Federal Budget Object Classification System

The federal budget object classification (object class) system is one of several ways to array financial data, such as salaries and expenses, in budgetary presentations. Federal agencies are required to report object class information in their budgets and track the goods, services, or items agencies purchase.<sup>9</sup> There are five major object classes; by number, they are as follows: (10) personal compensation and benefits; (20) contractual services and supplies; (30) acquisition of assets; (40) grants and fixed charges; and (90) other. These major classes are divided into smaller classes. For example, object classes 11, 12, and 13 all fall under major object class 10 and include (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

---

## M&A Services for NOAA Are Funded in a Variety of Ways

Commerce, NOAA's headquarters, line offices, and FMCs use a variety of mechanisms to fund M&A services. These mechanisms include NOAA payments, appropriations identified for specific functions, direct billings, assessments, and receipts from reimbursable agreements.

---

<sup>9</sup>See 31 U.S.C. § 1104(b) (2006); Office of Management and Budget, Circular A-11, § 83 (2010).

---

---

## Commerce Charges NOAA to Support Some M&A Services and Uses Its Own Funds to Provide Other Services to NOAA

According to our analysis of Commerce documents and interviews with departmental officials, Commerce charges NOAA for certain M&A services it provides, which NOAA pays for through reimbursements to the department's Working Capital Fund and its Advances and Reimbursements account. The Working Capital Fund finances services that the Secretary of Commerce determines can be performed more advantageously or efficiently as central services, rather than separately by each of Commerce's bureaus. In addition, according to Commerce officials, Commerce uses the Advances and Reimbursements account for two things: (1) pass-through payments to external organizations for services provided to the department as a whole, and (2) payments for short-term projects that benefit Commerce's bureaus. The services funded through both the Working Capital Fund and the Advances and Reimbursements account include services such as mail management, library services, and legal counsel. The services funded through the Advances and Reimbursements account include services provided by the National Finance Center to support processing NOAA's payroll and services provided by Commerce's Office of Budget to prepare and finalize the department's Performance and Accountability Reports as required by the Government Performance and Results Act. The following 12 offices within Commerce provide M&A services through these mechanisms: (1) Acquisition Management, (2) Administrative Services, (3) Budget, (4) the Chief Information Officer, (5) Chief of Staff, (6) Civil Rights, (7) Financial Management, (8) the General Counsel, (9) Human Resources Management, (10) Management and Organization, (11) Public Affairs, and (12) Security.

NOAA, like other bureaus in Commerce receiving services paid for through these mechanisms, pays the Working Capital Fund and the Advances and Reimbursements account from its own funding for services received. Commerce's documents show that its billings to NOAA for the Working Capital Fund were about \$34 million in fiscal year 2007, about \$34.5 million in fiscal year 2008, and about \$36 million in fiscal year 2009. Commerce's billings to NOAA for the Advances and Reimbursements account ranged from about \$5.6 million in fiscal year 2007 to about \$8.9 million in fiscal year 2009. In fiscal year 2009, according to NOAA documents, NOAA paid for 39 projects through the Working Capital Fund, ranging in cost from \$6,800 to help pay for the upkeep of facilities shared by several Commerce bureaus, to about \$5.2 million to pay for NOAA's share of costs for the Commerce Business System, which is the department's financial management system. In that same year, Commerce documents show, Commerce billed NOAA for 31 projects through the Advances and Reimbursements account, ranging in cost from about \$5,200

---

to pay for Commerce's grant management support for funding provided through the American Recovery and Reinvestment Act of 2009 to about \$1.8 million for rent to the U.S. General Services Administration.

In contrast, Commerce does not charge NOAA for the M&A services it provides through the Salaries and Expenses subaccount of its Departmental Management account, according to Commerce officials. This account funds the activities of the Secretary of Commerce, Deputy Secretary, and support staff. These personnel are responsible for developing and implementing the department's policies; coordinating bureaus' program activities to accomplish the department's mission; and developing and implementing internal policies, procedures, and administrative guidelines. Departmental Management funds appropriated for these services for all of Commerce were about \$47 million in fiscal year 2007, about \$44 million in fiscal year 2008, and about \$53 million in fiscal year 2009. Commerce officials could not identify the cost of services provided specifically to NOAA because, according to these officials, the department does not separately allocate the costs for the M&A services provided by this appropriation to each bureau.

---

**NOAA's Headquarters Funds the M&A Services It Provides to the Agency through Funds Appropriated for M&A Services and through Direct Billings**

According to NOAA officials, NOAA's appropriation for corporate administrative services<sup>10</sup> funds the following four types of M&A services that NOAA's headquarters provides to the agency:

- services provided by NOAA's Undersecretary and related staff offices, including executive management policy formulation and direction;<sup>11</sup>
- NOAA-wide corporate services and agency management, including activities such as financial, procurement, and human resource services;
- information services provided by the Office of the Chief Information Officer; and

---

<sup>10</sup>In fiscal years 2007 through 2009, NOAA's appropriation included a cap on the amount that could be expended on corporate services administrative support costs. Throughout this report we refer to this cap as NOAA's corporate administrative services appropriation.

<sup>11</sup>Staff offices include the offices of the Deputy Under Secretary and Legislative Affairs; Public, Constituent, and Intergovernmental Affairs; International Affairs; Education and Sustainable Development; the Federal Coordinator for Meteorology; and the General Counsel.

- 
- facilities management services, such as repairs, restoration, construction, and environmental compliance and safety for NOAA-owned buildings.

Because these services are funded through NOAA's corporate administrative services appropriation, they are provided at no charge to those receiving services. According to NOAA documentation, obligations associated with these services from fiscal years 2007 to 2009 ranged from \$164 million (fiscal year 2009) to \$167.5 million (fiscal year 2007), or about 85 percent of the total cost for M&A services provided by NOAA's headquarters.<sup>12</sup>

NOAA's headquarters funds the remaining 15 percent of M&A services through direct billings—that is, NOAA's headquarters internally bills those receiving services, who then pay for these services with their allocated funds. NOAA officials told us that they use the direct billing process to pay for three types of services:

- *Unplanned services.* If there are M&A services that NOAA's headquarters must provide but did not anticipate during the annual budget process, it can use the direct billing process to pay for the services. For example, according to NOAA officials, in fiscal years 2008 and 2009 NOAA was required to issue new identification cards to employees and contractors in compliance with a federal security directive.<sup>13</sup> NOAA had not planned for this expense, and NOAA used the direct billing process to pay for that service. Each office was billed for the cost of providing the cards to their employees and contractors.
- *Pooled services.* In some cases, NOAA officials determine that it is more appropriate to procure M&A goods or services at NOAA's headquarters level. According to NOAA officials, this procurement approach is used when it will decrease overall costs and increase efficiency. For example, NOAA's headquarters has used its direct billing process to procure IT

---

<sup>12</sup>These amounts do not include NOAA's payments to Commerce's Working Capital Fund, which are part of NOAA's budget for corporate administrative services, because those payment amounts were described earlier.

<sup>13</sup>Homeland Security Presidential Directive 12 required the establishment of a mandatory, governmentwide standard for secure and reliable forms of identification issued by the federal government to its employees and contractors to gain access to secure facilities where there is a potential for terrorist attacks.

---

infrastructure and e-mail services for all NOAA users, rather than have individual line offices, FMCs, or programs procure such services individually.

- *Additional services requested by line offices.* When line offices request services not provided by NOAA's corporate administrative services appropriation, NOAA officials told us that they can request and pay for them through the direct billing process. These services have included, for example, additional legal services requested by NMFS to carry out its regulatory responsibilities or additional acquisitions support requested by NESDIS to help complete specialized satellite acquisitions.

Total direct billing charges varied across offices because NOAA bills each office the same amount for some services but different amounts for other services. NOAA's headquarters bills each office the same amount to pay for some services, such as developing NOAA's new strategic plan and funding the office that staffs NOAA's Science Advisory Board. For fiscal years 2007 through 2009, NMFS had the highest direct billing charges of all offices. According to NMFS officials, this was in part because NMFS uses the most legal support to carry out its regulatory responsibilities. Conversely, OAR, with the lowest budget among line offices, had the lowest direct billing charges.

Table 2 provides information on NOAA's reported direct billings by office for fiscal years 2007 through 2009.

**Table 2: NOAA's Reported Direct Billings by Office, Fiscal Years 2007 through 2009**

Dollars in millions			
Office	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009
NESDIS	\$3.2	\$3.0	\$3.2
NMFS	9.0	10.3	11.6
NOS	6.1	5.2	5.5
NWS	3.3	4.9	4.4
OAR	2.4	2.1	2.3
Staff offices <sup>a</sup>	3.2	2.0	3.2
<b>Total<sup>b</sup></b>	<b>\$27.2</b>	<b>\$27.5</b>	<b>\$30.3</b>

Source: GAO analysis of NOAA documents.

<sup>a</sup>NOAA staff offices billed include the offices of Acquisition and Grants, the Chief Financial Officer, the Chief Information Officer and High Performance Computing and Communications, Marine and Aviation Operations, Workforce Management, Chief Administrative Officer, Under Secretary and Associates Office, Program Analysis and Evaluation, and Planning and Programming Integration.

<sup>b</sup>Totals may not add due to rounding.

According to NOAA documents and officials, in fiscal year 2009, the direct billing process was used to fund 29 projects, ranging in cost from \$151,700 to fund a travel management system for NOAA employees in the Washington, D.C. and Silver Spring offices, to about \$12 million for NOAA's Office of General Counsel to provide specified legal services to line offices. NOAA documents indicated that total obligations for direct bills for fiscal years 2007 through 2009 ranged from \$27.2 million to \$30.3 million. While some billings were added or increased in those years, others stayed the same and still others decreased or were no longer funded in 2009. For example, according to NOAA documentation, billings to support NOAA's creation of its new strategic plan and to support computerized legal research contracts did not occur in fiscal year 2007, but were added in 2009. Furthermore, billings for Office of General Counsel support and for NOAA's e-mail services steadily increased from fiscal year 2007 through fiscal year 2009. For example, NOAA officials told us that billings for the Office of General Counsel increased during those years owing to increased regulatory responsibilities, largely due to NMFS's additional responsibilities related to reauthorization of the Magnuson-Stevens Act. Other billing amounts stayed the same in those years, such as those for NOAA's Grants Online service or for NOAA's Science Advisory Board. Several billings from fiscal year 2007 were no longer funded in fiscal years 2008 and 2009, including billings for a celebration recognizing 200 years of service by NOAA and its predecessor agencies and NOAA's initiative on business process reengineering.

---

According to officials in NOAA's headquarters, using both the corporate administrative services appropriation and the direct billing process to fund M&A services provides a good blend of funding mechanisms. Specifically, they noted that the corporate administrative services appropriation provides for base funding that they can count on from year to year, while direct billings provide the flexibility that allows M&A services to expand and contract as needed from year to year.

---

### Line Offices Fund the M&A Services They Provide to Their Programs and FMCs through Assessments

Line offices fund the M&A services they provide to their programs and FMCs by assessing their PPAs.<sup>14</sup> Because the line offices have limited documentation of their assessment methods, the information on assessments we present below is based on discussions with line office officials. Based on these discussions, we determined that the assessment methods each line office used in fiscal year 2009 varied.

- *NESDIS*. According to NESDIS officials, the line office assessed each of its PPAs a flat 13.8 percent of the PPA's federal labor costs and a supplemental amount.<sup>15</sup> NESDIS officials told us that they used a supplemental assessment because much of the line office's funding is for activities, such as purchasing satellites, where the federal labor costs are relatively low, and NESDIS does not want to unfairly burden other more labor-heavy PPAs. For example, NESDIS documents show that for the Polar Convergence National Polar-orbiting Operational Environmental Satellite System PPA, a PPA with relatively low federal labor costs, NESDIS assessed 13.8 percent of its federal labor costs (about \$1.4 million) but added a supplemental assessment of about \$4.1 million.<sup>16</sup> In contrast, NESDIS assessed its Satellite Command and Control PPA, a PPA with relatively higher federal labor costs, 13.8 percent of its federal labor costs, for an assessment of about \$2.2 million, but only added a supplemental assessment of \$50,000. Overall, in fiscal year 2009, about 49 percent of NESDIS's total assessment came from the 13.8 percent charge,

---

<sup>14</sup>NOAA's headquarters officials told us that they did not assess PPAs that were earmarks.

<sup>15</sup>According to NOAA officials, federal labor includes the full time equivalent employees employed by the line office. Costs for federal labor include both salaries and benefits for those employees. Federal labor does not include contractors.

<sup>16</sup>The National Polar-orbiting Operational Environmental Satellite System is a planned system of low earth orbiting environmental satellites. NOAA anticipates that the system will monitor environmental conditions; collect, disseminate, and process data about the earth's weather, atmosphere, oceans, land, and near-space environment; and that it will provide data for long-range weather and climate forecasts.

---

while about 51 percent came from the supplemental assessment. NESDIS officials reported that their line office's M&A obligations were about \$19.4 million in fiscal year 2007, about \$19 million in fiscal year 2008, and about \$22 million in fiscal year 2009.<sup>17</sup>

- *NMFS*. According to NMFS officials, the line office assessed several of its PPAs different percentages of their budgets, ranging from 0 to 10.2 percent for fiscal year 2009.<sup>18</sup> For example, NMFS assessed its Habitat Conservation PPA a total of about \$1.8 million, or about 9.8 percent of that PPA's reported obligations of about \$18.6 million. According to NMFS documentation, the line office's M&A obligations were about \$23 million in fiscal year 2007, about \$23 million in fiscal year 2008, and about \$25.9 million in fiscal year 2009.
- *NOS*. According to an NOS official, the line office assessed each of its eligible PPAs a flat percentage of about 8.9 percent of their budgets for fiscal year 2009. For example, NOS documentation indicated that the line office assessed its Ocean Health Initiative PPA \$356,843 or about 8.9 percent of that PPA's \$4 million budget. Congress placed limits on the amount of M&A costs that certain NOS PPAs could incur in certain fiscal years, including fiscal year 2009, and NOS officials told us they made assessments in accordance with those limits.<sup>19</sup> According to NOS

---

<sup>17</sup>The M&A obligation amounts cited for each of the line offices do not include amounts paid to NOAA's headquarters as a result of direct billings.

<sup>18</sup>According to NMFS officials, those PPAs and percentages included (1) Alaska seals and sea lions (1.3 percent); (2) Atlantic States Marine Fisheries Commission (0.6 percent); (3) cooperative agreements with states (0 percent); (4) Endangered Species Act—Atlantic salmon (5.1 percent); (5) enforcement and surveillance (2.6 percent); (6) habitat conservation (9.8 percent); (7) fisheries management programs (8.9 percent); (8) marine mammals, sea turtles and other species (10.2 percent); (9) other protected species (4.9 percent); (10) Pacific salmon ESA recovery and research (4.5 percent); (11) product quality and safety/seafood inspection (1.2 percent); (12) stock assessments (0.7 percent); and (13) vessel monitoring system (0.6 percent). According to a NMFS official, PPAs it assessed and the percentages NMFS used to assess them are based on NMFS's understanding of congressional intent from the fiscal year 2005 appropriation and its legislative history and on a one-time adjustment in fiscal year 2009 to provide additional funds to cover M&A costs.

<sup>19</sup>For example, these limitations include (1) the explanatory statement accompanying the Omnibus Appropriations Act, 2009, Pub. L. No. 111-8, 123 Stat. 524 (2009), which directs NOS to spend no more than \$6.5 million of the total \$26.5 million provided for Integrated Ocean Observing System funding on administration; and (2) Section 12502 of the Omnibus Public Lands Act of 2009, Pub. L. No. 111-11, 123 Stat. 991 (2009), which provides that no more than 5 percent of funds provided for the Coastal and Estuarine Land Conservation Program may be used for planning or administration.

---

documentation, the line office's M&A obligations ranged from about \$26.7 million in fiscal year 2007 to about \$28 million in fiscal year 2009.

- *NWS.* According to an NWS official, the line office assessed selected PPAs different percentages of their budgets, ranging from about 4.2 percent to 5 percent for fiscal year 2009.<sup>20</sup> For example, according to NWS documentation, NWS assessed the Local Warnings and Forecasts Base PPA 4.9 percent of that PPA's roughly \$600 million budget, for a total assessment of about \$29.5 million. In addition, NWS assessed the Central Forecast Guidance PPA about 4.2 percent of that PPA's allocation of about \$67 million, for a total assessment of about \$2.8 million. NWS officials reported that the line office's M&A obligations were \$34 million in fiscal year 2007, \$34.6 million in fiscal year 2008, and \$38.8 million in fiscal year 2009.
- *OAR.* According to an OAR official, the line office assessed its PPAs rates varying from about 16.5 percent to about 18.4 percent of the PPA's federal labor costs. For example, in fiscal year 2009 OAR assessed its National Severe Storms Laboratory PPA varying percentages over the year including 16.5 percent, 17.6 percent, and 18.4 percent, of the federal labor costs of its National Severe Storms Laboratory for a total assessment of \$777,109. OAR officials reported that the line office's M&A obligations ranged from about \$10.2 million in fiscal year 2007 to about \$11 million in fiscal year 2009.

Table 3 summarizes each line office's M&A obligations for fiscal years 2007 through 2009, based on data provided by line office officials. As the table shows, these obligations ranged from a low of about \$10.2 million at OAR in fiscal year 2007 to about \$38.8 million at NWS in fiscal year 2009. According to NOAA officials, line offices each define and track their M&A services in different ways. As a result, the information in the table below is not comparable across line offices.

---

<sup>20</sup>NOS did not assess the Weather and Climate Supercomputing PPA, because, according to NWS officials, all funding for that PPA was needed to pay a lease to a contractor and there was no additional funding available in the PPA to pay for M&A services.

---

**Table 3: M&A Obligations Data Reported by NOAA Officials for Fiscal Years 2007 through 2009**

Dollars in millions

<b>Fiscal year</b>	<b>NESDIS</b>	<b>NMFS</b>	<b>NOS</b>	<b>NWS</b>	<b>OAR</b>
2007	\$19.4	\$23.0	\$26.7	\$34.0	\$10.2
2008	19.0	23.0	27.6	34.6	10.2
2009	22.0	25.9	28.0	38.8	11.0

Source: GAO analysis of NOAA documents.

---

### Some FMCs Fund M&A Services through Assessments and Other FMCs Do Not Track or Separately Define Their M&A Costs

FMCs at two of NOAA's line offices use assessments to fund the M&A services they provide, and some or all the FMCs at the other three line offices do not track their costs for M&A services. Specifically, according to line office officials, FMCs below the line office level at NMFS and most FMCs in OAR below the line office level assess subunits within their organizations to pay for M&A services using methods that are generally similar to the methods their line offices use. For example, OAR's Earth Science Research Laboratory's Global Monitoring Division assesses each of its PPAs on the basis of its federal labor costs, which is the same approach the OAR line office uses. In contrast, according to officials in three line offices—NOS, NWS, and NESDIS—funding for M&A services at some or all of their FMCs is not defined or separately accounted for. Because these FMCs do not separately account for their M&A services, they could not provide us with information on their costs.

---

Commerce, NOAA's  
Headquarters, Line Offices,  
and FMCs Use Funds  
Received through  
Reimbursable Agreements  
to Provide M&A Services  
to Other Agencies

When organizations within NOAA enter into reimbursable agreements with other agencies to perform work for those agencies, it is NOAA's policy to charge the agencies for the M&A costs NOAA incurs in executing the agreements unless the law authorizing the agreement provides otherwise.<sup>21</sup> These payments are distributed to NOAA's headquarters, line offices, or FMCs, depending on which entities perform work related to the agreements. The NOAA Budget Office reported that M&A reimbursements associated with these agreements were about \$15.9 million in fiscal year 2007, about \$19 million in fiscal year 2008, and about \$16.7 million in fiscal year 2009.

---

NOAA's  
Documentation of Its  
Policies and  
Procedures for M&A  
Services Does Not  
Always Conform to  
Applicable Federal  
Standards

NOAA's headquarters, line offices, and FMCs have documented some aspects of their policies and procedures for M&A services, but not to the full extent called for by applicable federal cost accounting and internal control standards. For example, NOAA's headquarters has documented some of its policies and procedures for M&A services, but it has not done so in a handbook or manual as called for by applicable federal standards. In addition, the five line offices and the FMCs have no or limited documentation of their policies and procedures for the M&A services they provide.

---

NOAA's Headquarters'  
Documentation of Its  
Policies and Procedures  
for M&A Services  
Conforms to Some of the  
Applicable Federal  
Standards

NOAA's headquarters documents some of its policies and procedures related to the M&A services funded by its corporate administrative services appropriation, but not in a handbook or manual as called for by applicable federal standards. Specifically, NOAA's headquarters documents its policies on the types of services it plans to provide through the appropriation as part of the President's budget request to Congress. In addition, it documents the procedures it uses to determine the budget for its M&A services as part of the yearly budget formulation process. According to NOAA officials, these steps include developing yearly written

---

<sup>21</sup>NOAA can only accept reimbursable work if the necessary legal authority exists for performing the work. Examples of such authorities include 15 U.S.C. § 1525, which authorizes the Secretary of Commerce to, among other things, make special studies on matters within the authority of the Department of Commerce upon the request of agencies and other entities; 31 U.S.C. § 1535, which authorizes general interagency transactions within the federal government in certain circumstances; and 31 U.S.C. § 6505, which authorizes agencies to provide certain services prescribed by the President to state and local governments in certain circumstances.

---

operating and spending plans for each program funded by NOAA's corporate administrative services appropriation. In addition, NOAA's headquarters documents its procedures for assigning its M&A costs to its mission support programs. However, this documentation has not been compiled into a handbook or manual as called for by applicable federal standards, which makes it more difficult for an independent third party, such as an auditor, to readily evaluate the appropriateness of the policies and procedures and may also hamper oversight.

In addition, for its corporate administrative services appropriation, NOAA's headquarters does not assign its M&A costs to the mission programs they ultimately serve, as would be consistent with federal cost accounting standards. Specifically, NOAA's strategic plan has four broad mission goals (ecosystems; climate; weather and water; and commerce and transportation) and one mission-support goal. NOAA has numerous programs under each goal designed to achieve that goal. Programs under the mission-support goal provide M&A services, such as information technology and facilities services, to support NOAA's mission goals and programs. While officials told us that NOAA assigns costs related to the corporate administrative services appropriation to programs under its mission-support goal, it does not assign these costs to NOAA's other four goals, which limits information on how much the work related to these goals costs. This situation represents a change since 2004. Before 2004, NOAA billed each of its line offices to pay for its corporate administrative services, but the Senate Committee report accompanying NOAA's appropriation in fiscal year 2004 directed the agency to end this cost assignment.

NOAA's documentation of its policies and procedures for the direct billing process adheres to most but not all of the applicable federal cost accounting and internal control standards. Specifically, according to NOAA's headquarters officials, they do not document in a manual or handbook their policies regarding the types of M&A services that may be provided through the direct billing process. This lack of documentation makes it difficult to ensure that NOAA managers and line office officials have a clear understanding of what types of M&A services can be provided through the direct billing process compared to the corporate services appropriation, especially when staffing changes occur. Officials at NOAA's headquarters acknowledged this lack of documentation, and told us that they plan to draft guidance on the direct billing process that will include information on the types of M&A services they can provide.

---

In contrast, NOAA's headquarters has documented the procedures it uses each year to determine the budget for M&A services funded by this process and its policies and procedures for assigning the costs to the offices that will benefit from the services. This documentation has included an annual memo to line and staff office officials outlining the steps for the direct billing procedure for the upcoming fiscal year. The memo has noted that line and staff offices requesting directly billed services must submit their proposed requests to NOAA's Budget Office prior to a final review by the Chief Financial Officers' Council. In addition, the memo requires a template to be completed that includes information on what service is being proposed and how much the service will cost. The template also documents the assignment of the cost of M&A services to the specific offices that will benefit from the services funded through the direct billing process, and the justification for why those assignments are appropriate. Specifically, NOAA's headquarters requires that direct billing proposals include documentation of cost assignments to the specific line and staff offices that will benefit from the services. For example, in 2009, NOAA's Office of the Chief Information Officer submitted a proposal outlining a service to integrate the agency's e-mail software with its Blackberry devices, to ensure that these devices could be fully used. The proposal listed a description and expected cost of the service, and explained how the cost for the service would be assigned to each line and staff office. According to NOAA officials, NOAA's Chief Financial Officers' Council reviews these proposals and determines, based on a majority vote, whether line offices should pay for the proposed services.<sup>22</sup> However, because each directly billed service is submitted to a vote by those who will pay it, this transparency and the available documentation of the process provides evidence that costs have been fairly assigned, according to line office officials.

---

<sup>22</sup>The Chief Financial Officers' Council is composed of NOAA's Chief Financial Officer and the Chief Financial Officers from each line office, as well as other members such as a representative from the Office of Marine and Aviation Operations.

---

**Line Office Documentation of Policies and Procedures for M&A Services Generally Does Not Conform to Applicable Federal Standards**

The five line offices have no or very limited documentation of their policies regarding the types of M&A services they provide to the FMCs, which is not consistent with applicable federal cost accounting and internal control standards. Specifically, NESDIS, NOS, NWS, and OAR have not documented their policies regarding the types of the M&A services they provide in a manual or handbook. Only one office—NMFS—has limited documentation on the types of M&A services it provides. The documentation consists of a set of internal guidelines the line office issued in 1999; however, the guidelines include only general information and have not been updated. We believe the lack of documentation of the line offices' policies regarding the types of M&A services they provide decreases FMC officials' understanding of what their assessments may fund. For example, officials from the majority of OAR's FMCs that provide M&A services told us they do not receive information from the line office on the M&A services the line office provides, and that they are not sure what services they receive for the assessments they pay. In addition, an NWS FMC official told us that the FMC had to pay \$150,000 for a technology licensing fee, which the official thought was already covered by the assessment that the FMC paid to the line office.

The line offices also do not document the procedures they use to determine the budget for the M&A services they provide. Nonetheless, officials from each line office told us that they use specific procedures to determine their budgets. Officials from NOS told us they develop their budgets using current and projected funding needs, while NMFS officials stated they use historical practices. In contrast, according to NESDIS and NWS officials, they perform a yearly needs assessment to develop their budget estimates. OAR officials told us that to determine their M&A budget, they develop specific operating plans. In addition, according to line office officials, OAR's Chief Financial Officer chairs a committee that reviews the budget. However, none of the five line offices could provide us with documentation that clearly showed the procedures they followed to ensure consistent implementation from year to year and continuity of the process if staffing changes occurred.

Furthermore, the line offices have no or limited documentation of their policies and procedures for assigning M&A costs and justifications for those assignments. Specifically, NESDIS, NOS, NWS, or OAR do not document the assignment of their M&A costs to the specific programs, activities, or outputs that benefit from M&A services, and they do not justify why the assignments are appropriate. NMFS has limited documentation—in the form of an e-mail—that instructs FMCs to draw their assessments from six specific PPAs. However, we believe that this

---

documentation is not detailed enough to provide a full understanding of NMFS's assessment process or its justification. The line offices' lack of documentation of their policies and procedures limits their ability to explain their assignments to those paying the assessments as well as those overseeing the process, including NOAA's headquarters' officials and congressional decision makers. Furthermore, a lack of documentation limits line office officials' ability to demonstrate that they have chosen the most appropriate method for assigning M&A costs. For example, NOS assesses all of its PPAs equally to fund its Office of Special Projects.<sup>23</sup> However, according to NOS officials, program managers have expressed concern that the activities of the Office of Special Projects do not equally benefit all of the PPAs being assessed. NOS officials acknowledge that there may be more equitable methods for funding some of the costs within the Office of Special Projects to more accurately align assessments with benefits. NOS officials told us that they are considering changes to the way NOS funds projects in the Office of Special Projects.

Finally, none of the line offices have compiled a handbook or manual detailing their policies and procedures for their M&A services as called for by applicable federal standards. Without documentation in a manual or handbook that has been reviewed and approved by NOAA's headquarters and line office management, it is difficult for an independent third party to readily evaluate the major assumptions and methods used to develop annual cost estimates for M&A services and the justifications for why those assignments are appropriate. Officials in the NOAA Budget Office acknowledged that line offices have no or limited documentation of their policies and procedures for their M&A services. NOAA's headquarters and line office officials also told us that NOAA plans to begin working with the line offices to develop documentation of their M&A services by spring 2011.

---

<sup>23</sup>NOS's Office of Special Projects provides information, assessments, and tools in support of the collaborative coastal stewardship mission of the line office and its partners.

---

## FMCs' Documentation of Their Policies and Procedures for M&A Services Generally Do Not Adhere to Applicable Federal Standards

According to line office officials at NESDIS, NOS and NWS, FMCs within their line offices do not document (1) their policies regarding the types of M&A services they provide; (2) the procedures they use each year to determine the budget for their M&A services; (3) their policies and procedures for assigning the costs of their M&A services to specific programs, activities, or outputs that benefit from the services and the results of that cost assignment; and (4) the justification for why those assignments are appropriate. According to line office officials, these FMCs consider all costs to be program costs and therefore do not formally identify their M&A services and costs. As a result, there is a general lack of clarity on how FMC officials are to assign costs related to M&A services. In addition, because these FMCs do not separately identify program and M&A costs, decision makers have an incomplete understanding of the FMCs' budgets, which may limit their ability to provide oversight.

According to line office officials in NMFS and OAR, FMCs within their line offices have M&A services and they assign costs by assessing their subunits to pay for them. However, according to several FMC officials we spoke to, they have limited or no documentation of their policies and procedures in this area. Specifically:

- *NMFS*. Line office officials told us that FMCs within NMFS use the same documentation the line office uses to describe the types of M&A services they provide. However, we found that this documentation does not specifically discuss the differences between the services provided by the line office and those provided by the FMCs. Furthermore, it does not outline the procedures the FMCs take to determine the budgets for their M&A services each year, and it does not include enough detail to provide a full understanding of the FMCs' cost assignments or the justification for those assignments. Consequently, we believe that it may be difficult for the FMCs to ensure that the process used to determine their budget and costs for M&A services is applied consistently from year to year.
- *OAR*. Most officials in the OAR FMCs that provide M&A services told us they have M&A services, but they do not have documentation outlining (1) their policies regarding the types of M&A services they provide; (2) the procedures they use each year to determine the budget for their M&A services; (3) their policies and procedures for assigning the costs of their M&A services to specific programs, activities, or outputs that benefit from the services, and the results of that cost assignment; and (4) the justification for why those assignments are appropriate. Some OAR FMC officials we spoke with acknowledged that this lack of documentation presents challenges to managing the FMC, especially when there are personnel changes. An official in one FMC told us he has started to

---

prepare documentation of his office's processes to manage the FMC's budget, including procedures related to M&A services and costs.

In addition to the lack of documentation regarding their policies and procedures for their M&A services, none of NMFS's and OAR's FMCs that we spoke to has compiled a policies and procedures handbook or manual for their M&A services as called for by applicable federal standards. Overall, we believe that the lack of consistent documentation at NMFS's and OAR's FMCs decreases transparency about the types of M&A services they provide, how the costs of those services are determined and assigned, and the reasonableness of those assignments. Line office officials in the NOAA Budget Office acknowledged that FMCs lack documentation on their policies and procedures for M&A services and said that they plan to develop such documentation in the future.

---

## Estimated Salaries and Expenses For NOAA Were About \$3.8 Billion for Fiscal Year 2009

Using object class data provided by NOAA officials, we estimated that NOAA's salaries and expenses were about \$3.8 billion for fiscal year 2009. These estimates are approximate because salaries and expenses could be higher if they were accounted for in object classes that we did not include in our estimate. See appendix I for a detailed description of the methodology we used to create our estimates of salaries and expenses and the limitations associated with these data. The amount of obligations related to estimated salaries and expenses varied across NOAA's budget activities, as shown in table 4.<sup>24</sup> Because some funds were not included in the data provided by NOAA for some budget activities, the information in table 4 is not comparable across budget activities.

---

<sup>24</sup>For each of its two main budget accounts (ORF and PAC), NOAA allocated funding to six main budget activities. These budget activities are the five line offices performing mission-related work and a sixth budget activity, Program Support.

**Table 4: Estimated Salaries and Expenses by NOAA Activity, Fiscal Year 2009**

Dollars in thousands

<b>Budget activity</b>	<b>Estimated salaries<sup>a</sup></b>	<b>Estimated expenses<sup>b</sup></b>	<b>Total estimated salaries and expenses</b>
NESDIS	\$90,625	\$1,035,775	\$1,126,400
NMFS <sup>c</sup>	294,640	215,381	510,021
NOS	137,660	211,683	349,343
NWS	564,084	344,765	908,849
OAR	74,672	186,707	261,378
Program Support <sup>d</sup>	213,870	464,405	678,275
<b>NOAA total</b>	<b>\$1,375,552</b>	<b>\$2,458,716</b>	<b>\$3,834,267</b>

Source: GAO analysis of NOAA obligations data.

Note: Amounts may not add to totals due to rounding. Reimbursable funds were not included in NOAA obligations data provided to GAO.

<sup>a</sup>Estimated salaries include budget object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

<sup>b</sup>Estimated expenses include budget object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communication, and utilities, (24) printing and reproduction, (25) other contractual services, (26) supplies and materials, and (31) equipment.

<sup>c</sup>Obligations data provided by NMFS did not include data from their category "Other Funds", with the exception of data on the Pacific Coastal Salmon Recovery fund.

<sup>d</sup>Obligations data provided by Program Support did not include some American Reinvestment and Recovery Act funds.

## Conclusions

Well-defined and fully documented policies and procedures for M&A services are critical to NOAA's ability to exercise effective control over its activities and fully account for its program costs. Such documentation can also assist NOAA in providing reliable information to congressional decision makers who oversee the agency's activities and expenditures. NOAA's headquarters documents some of its policies and procedures for the M&A services it provides. However, at the line offices and FMCs, documentation is either very limited or absent on (1) their policies regarding the types of M&A services they provide; (2) the procedures they use each year to determine the costs of their M&A services; (3) their policies and procedures for assigning the costs of their M&A services to specific programs, activities, or outputs that benefit from the services and the results of that cost assignment; and (4) justification for why those assignments are appropriate. Without complete documentation of its

---

policies and procedures for its M&A services, compiled in a manual or handbook, NOAA is not meeting internal control and federal cost accounting standards. Also, it is difficult (1) for NOAA's staff to have a clear understanding of the agency's policies and procedures for M&A services, especially for new staff, (2) for agency managers to consistently and equitably account for M&A services during each budget cycle, and (3) for an independent third party to readily evaluate the appropriateness of NOAA's M&A policies and procedures.

---

## Recommendation for Executive Action

To improve the management and oversight of the National Oceanic and Atmospheric Administration's management and administration services and related costs, we recommend that the Secretary of Commerce direct the Administrator of NOAA to require that NOAA's headquarters, line offices, and FMCs document in a manual or handbook their policies and procedures for the M&A services they provide in line with internal control and federal cost accounting standards. Such documentation should include, at a minimum, (1) their policies regarding the types of M&A services they provide; (2) the procedures they use each year to determine the costs of their M&A services; (3) their policies and procedures for assigning the costs of their M&A services to specific programs, activities, or outputs that benefit from the services and the results of that cost assignment; and (4) the justification for why those assignments are appropriate.

---

## Agency Comments

We provided a copy of our draft report to the Department of Commerce for review and comment. The department provided us NOAA's comments on the draft report, in which NOAA said it generally agreed with the draft report and concurred with our recommendation. In response to the recommendation, NOAA said it had already convened an Administrative Cost Working Group to identify the approach the bureau should take to standardize and document its M&A services. In its comments, NOAA also noted that the draft report did not explain how the ORF and PAC budget accounts are used by NOAA to fund its M&A services. In response to this comment, we incorporated information on these accounts into the report. NOAA also provided technical comments that we incorporated into the report as appropriate. NOAA's comments are presented in appendix III.

---

We are sending copies of this report to the appropriate congressional committees, the Secretary of Commerce, and other interested parties. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-3841 or [mittala@gao.gov](mailto:mittala@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.



Anu K. Mittal  
Director, Natural Resources and Environment

---

# Appendix I: Objectives, Scope, and Methodology

---

This report (1) examined how management and administration (M&A) services at the Department of Commerce's (Commerce) National Oceanic and Atmospheric Administration (NOAA) are funded, (2) assessed the extent to which NOAA's policies and procedures for accounting for M&A services conform to applicable standards, and (3) estimated salaries and expenses for NOAA's budget for fiscal year 2009.

To examine how M&A services at NOAA are funded, we reviewed policy and guidance documents that explained NOAA's mechanisms for funding M&A services, such as excerpts from the NOAA *Budget Handbook* and Commerce's *Working Capital Fund Advances & Reimbursements Handbook*. We also reviewed written documentation on, among other things, NOAA's funding of M&A services at the line office and FMC level; NOAA's budget data and management information systems; and NOAA's Planning, Programming, Budgeting, and Execution System. We interviewed officials and gathered and reviewed cost data on M&A services from NOAA at each of four levels—Commerce, NOAA's headquarters, line offices, and a subset of FMCs. Specifically, for services provided by Commerce, we gathered and reviewed data on Commerce's billings to NOAA for its Working Capital Fund and Advances and Reimbursements accounts for fiscal years 2007 through 2009. For services provided by NOAA's headquarters, we obtained data from NOAA's Budget Office on its (1) obligations from its appropriation for corporate administrative services and (2) direct billings for M&A services to line and staff offices. For services provided by line offices, we collected obligations data from each line office. For M&A reimbursements associated with reimbursable agreements with other agencies, we collected reimbursement data for all NOAA organizations from the NOAA Budget Office. To determine the reliability of all of these data, we reviewed documentation, including yearly audit reports on Commerce's and NOAA's financial statements, and reports outlining findings and corrective actions from internal reviews of NOAA's information technology systems. In addition, we interviewed knowledgeable officials, including NOAA's Budget Director and the Director of Finance, about data quality, inputs, and extraction. Based on our document review and information obtained from our interviews, we determined that the data are sufficiently reliable for the purposes of this report. We attempted to gather obligations data from all of the FMCs within each line office on the M&A services they provide. However, because we could not verify the reliability of the data across all organizations at the FMC level, we did not present these data in this report.

To assess the extent to which NOAA's policies and procedures for accounting for M&A services conform to applicable federal standards, we reviewed applicable federal cost accounting and internal control standards, including *Standards for Internal Controls in the Federal Government*, and the Statement of Federal Financial Accounting Standards No. 4.<sup>1</sup> We reviewed Commerce and NOAA internal documents related to policies and procedures on M&A services and cost assignments, including Commerce's *Working Capital Fund Advances & Reimbursements Handbook*, NOAA's headquarters direct billing templates, and briefing slides and other guidance from line offices on the types of M&A services provided and their assessment processes. We obtained information on NOAA's adherence to the applicable federal standards through interviews with knowledgeable officials at Commerce, NOAA's headquarters, line offices, and selected FMCs. At Commerce, we interviewed officials at the Office of Financial Management. At NOAA's headquarters, we spoke with officials in the Budget Office and Finance Office. We also interviewed budget or finance officials from each of the five line offices—National Environmental Satellite and Data Information Service (NESDIS), National Marine Fisheries Service (NMFS), National Ocean Service (NOS), National Weather Service (NWS), and Office of Oceanic and Atmospheric Research (OAR). In addition, we interviewed two or more FMCs from each line office. Specifically, we spoke with NESDIS's Office of Systems Development and National Climatic Data Center; NMFS's Northeast Fisheries Science Center and Alaska Regional Office; NOS's Center for Operational Oceanographic Products and Services, Office of Coast Survey, and Office of Ocean and Coastal Resource Management; and NWS's Office of Hydrologic Development and Eastern Regional Office. In addition, we spoke with officials in each of OAR's FMCs that provide M&A services.

To estimate salaries and expenses for NOAA's budget for fiscal year 2009, we requested obligations data from NOAA's Budget Office, organized by federal budget object classification (object class). We used object class data to estimate NOAA's salaries and expenses because NOAA does not separately report salaries and expenses. However, 6 of the 11 budgets

---

<sup>1</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999) and Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Standards and Concepts*.

---

submitted under Commerce do separately report salaries and expenses.<sup>2</sup> Using the 10 object classes common to the separately reported salaries and expenses in these six budgets, we were able to estimate NOAA's spending related to salaries and expenses. The 10 object classes common across Commerce bureaus that separately account for salaries and expenses are object classes (11) personnel compensation; (12) personnel benefits; (13) benefits for former personnel; (21) travel and transportation of persons; (22) transportation of things; (23) rent, communications and utilities; (24) printing and reproduction; (25) other contractual services; (26) supplies and materials; and (31) equipment. We included object classes 11, 12, and 13 in the estimation of salaries, and object classes 21, 22, 23, 24, 25, 26, and 31 in the estimation of expenses. The NOAA object class data we used were extracted by NOAA officials from the agency's Management Analysis and Reporting System (MARS). At our request, the lowest level of detail in the data provided by NOAA officials was at the program, project, or activity level (PPA).

In the letter portion of this report, we provided information and estimates related to NOAA's salaries and expenses at a summary level. To do so, we aggregated multiple object classes to estimate both salaries and expenses. In addition, we aggregated object class spending data to make estimates by activity, for example, the total estimated salaries and expenses for NMFS. We determined that the object class data were sufficiently reliable to report in the aggregate. We based this conclusion on interviews with NOAA officials, who stated they adhere to internal controls and consistently use the Office of Management and Budget's object class standards and object class definitions throughout NOAA. In addition, we reviewed documentation including yearly audit reports on Commerce's and NOAA's financial statements and reports outlining findings and corrective actions from internal reviews of NOAA's information technology systems. Nonetheless, the apparent precision of object class data can be misleading because similar types of spending can be assigned to different object classes even though they are for the same type of service. For example, for personal services contracts with federal employees, basic pay and compensation above the basic pay would be classified in object class 11, personnel compensation. On the other hand, payments for personal services contracts for operation and maintenance

---

<sup>2</sup>The six budgets are Departmental Management, Economic Development Administration, Economics and Statistics Administration, National Telecommunications and Information Administration, the U.S. Census Bureau, and the U.S. Patent and Trademark Office.

of facilities would be classified under object class 25, other contractual services. In this example, even though both instances of spending were for labor, they were assigned to different object classes. In addition, the data may lack precision if NOAA did not include a salary or expense spending amount in 1 of the 10 object classes we used to estimate salaries and expenses. In that case, the expense would not be included in our estimate. For example, NOAA line office officials also told us that object class 77 is used by some line offices to record obligations that may include salaries and expenses.

More detailed estimates of NOAA's salaries and expenses for fiscal year 2009, on the basis of obligations data reported by NOAA for selected object classes, are listed in appendix II. We organized the information by NOAA's six budget activities: NESDIS, NMFS, NOS, NWS, OAR, and Program Support. The data are presented at the line item level of detail. We did not determine the reliability of the data at the line item level presented in appendix II. Specifically, we were unable to determine whether the amounts reported for a given line item and object class were accurate because validating these data would involve reviewing and validating millions of transactions provided through hundreds of data systems and would consequently involve a significant investment of time and resources. Such work was beyond the scope of this engagement.

We conducted this performance audit from March 2010 through January 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Salaries and Expenses Data for NOAA's Budget for Fiscal Year 2009

We based our estimates of salaries presented in this appendix on data for object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel. We based our estimates of expenses not including contractual services on data for object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communications and utilities, (24) printing and reproduction, (26) supplies and materials, and (31) equipment. Finally, we based our estimates of expenses for contractual services on data for object class (25) other contractual services. The obligations data by object class used to estimate salaries and expenses were extracted by NOAA officials from NOAA's MARS. Our estimates are approximate because salaries and expenses could be higher if they were accounted for in object classes that we did not include in our estimate. See appendix I for a more detailed description of the methodology we used to create our estimates of salaries and expenses and the limitations associated with these data. NOAA provided the data we used to estimate salaries and expenses at the PPA level. However, NOAA did not include reimbursable funds in the data provided. Also, there may be multiple PPAs within each line item. The data presented in this appendix have been subtotaled at the line item level. We did not combine or delete any line items, even those with all amounts listed as zeros. We did not determine the reliability of the data at the line item level reported in this appendix.

**Table 5: NESDIS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009**

Dollars in thousands

Subactivity	Line item	Salaries <sup>a</sup>	Expenses (not including contractual services) <sup>b</sup>	Expenses related to contractual services <sup>c</sup>	Total expenses	Total salaries and expenses
Environmental Satellite Observing Systems	Polar Orbiting System	\$24	\$0	\$0	\$0	\$24
Environmental Satellite Observing Systems	Geostationary System	258	0	0	0	258
Environmental Satellite Observing Systems	Environmental Observing Services	53	0	0	0	53
Environmental Satellite Observing Systems	Satellite Command and Control	20,175	5,099	11,183	16,281	36,456
Environmental Satellite Observing Systems	Product Processing and Distribution	11,600	1,104	16,880	17,984	29,584
Environmental Satellite Observing Systems	Commercial Remote Sensing Licensing and Enforcement	666	97	332	429	1,095

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands						
<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Environmental Satellite Observing Systems	NOAA Spacecraft Operations Facility Operations	0	4,370	3,117	7,487	<b>7,487</b>
Environmental Satellite Observing Systems	Product Development, Readiness and Application	1	247	1,366	1,613	<b>1,614</b>
Environmental Satellite Observing Systems	Joint Center/Accelerate Use of Satellites	0	38	1,833	1,871	<b>1,871</b>
Environmental Satellite Observing Systems	Office of Space Commercialization	345	146	99	245	<b>590</b>
Environmental Satellite Observing Systems	Group on Earth Observations	0	0	83	83	<b>83</b>
NOAA Data Centers and Information Services	Archive, Access and Assessment	19,926	5,872	23,109	28,982	<b>48,907</b>
NOAA Data Centers and Information Services	Data and Climate Centers	3,632	2,014	11,935	13,949	<b>17,581</b>
Environmental Satellite Observing Systems	Polar Orbiting System	0	0	0	0	<b>0</b>
Environmental Satellite Observing Systems	Environmental Observing Services	22	0	47,559	47,559	<b>47,581</b>
Environmental Satellite Observing Systems	Environmental Observing Services	10	0	25,761	25,761	<b>25,771</b>
Systems Acquisition	NESDIS Systems Acquisition and Construction	20,794	69,925	796,290	866,214	<b>887,008</b>
Construction	NESDIS Construction	0	0	2,226	2,226	<b>2,226</b>
<b>Total</b>		<b>\$90,625</b>	<b>\$90,234</b>	<b>\$945,541</b>	<b>\$1,035,775</b>	<b>\$1,126,400</b>

Source: NOAA data extracted from MARS system.

Note: Amounts may not add to totals due to rounding. Although some line items may have the same names, each line item represents a subtotal of the different PPAs under that line item.

<sup>a</sup>Includes object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

<sup>b</sup>Includes object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communication and utilities, (24) printing and reproduction, (26) supplies and materials, and (31) equipment.

<sup>c</sup>Includes object class (25) other contractual services.

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

**Table 6: NMFS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Information Collection and Analysis	Resource Information	\$5	\$1	\$16	\$17	\$22
Conservation and Management Operations	Fisheries Management Programs	0	0	4	4	4
Conservation and Management Operations	Protected Species Management	10	0	10	10	20
Conservation and Management Operations	Enforcement and Surveillance	0	30	0	30	30
State and Industry Assist Program	Fisheries Development Program	0	0	5	5	5
Fisheries Research and Management Services	FRMS—Science and Technology	63	14	33	46	109
Fisheries Research and Management Services	FRMS—Conservation and Management	62	-6	41	34	97
Protected Resources Research and Management Services (PRRMS)	PRRMS—Science and Technology	9	6	1	6	16
PRRMS	PRRMS—Conservation and Management Services	0	0	0	0	0
Habitat Conservation	Sustainable Habitat Management	18	0	1	1	19
Habitat Conservation	Fisheries Restoration	0	0	3	3	3
Enforcement and Surveillance	Enforcement	0	0	1	1	1
Marine Mammals, Turtles and Marine Protected Species	Bottlenose Dolphins	2,377	359	781	1,139	3,516
Marine Mammals, Turtles and Marine Protected Species	Mammals	5,159	902	1,784	2,686	7,846
Marine Mammals, Turtles and Marine Protected Species	Protected Species Research Management	14,358	3,047	7,483	10,530	24,888
Marine Mammals, Turtles and Marine Protected Species	Whales	4,595	742	3,804	4,546	9,141

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands						
<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Marine Mammals, Turtles and Marine Protected Species	Sea Turtles and Other Protected Species	9,309	2,403	7,505	9,909	<b>19,218</b>
Marine Mammals, Turtles and Marine Protected Species	Seals and Sea Lions	5,558	1,598	3,589	5,187	<b>10,745</b>
Marine Mammals, Turtles and Marine Protected Species	Pacific Salmon	38,125	4,929	8,264	13,194	<b>51,319</b>
Marine Mammals and Sea Turtles	Southeast Seiners Capacity Reduction Program Alaska	0	0	0	0	<b>0</b>
Fisheries Research and Management Programs	Expand Stock Assessments—Improve Data Collection	14,679	6,752	10,196	16,948	<b>31,628</b>
Fisheries Research and Management Programs	Core Fisheries Programs	38,177	7,900	13,377	21,276	<b>59,453</b>
Fisheries Research and Management Programs	Fisheries Management Programs	33,520	8,938	11,896	20,834	<b>54,354</b>
Fisheries Research and Management Programs	Core Fisheries Programs	24,083	4,933	7,697	12,630	<b>36,713</b>
Fisheries Research and Management Programs	Regional Councils and Fisheries Commissions	514	227	283	510	<b>1,024</b>
Fisheries Research and Management Programs	Salmon Management Activities	1,529	152	3,699	3,852	<b>5,381</b>
Fisheries Research and Management Programs	Salmon	0	0	0	0	<b>0</b>
Fisheries Research and Management Programs	Salmon Management Activities	213	85	14	98	<b>312</b>
Fisheries Research and Management Programs	Fish Information Networks	1,598	431	4,484	4,915	<b>6,513</b>
Fisheries Research and Management Programs	Survey and Monitoring Projects	14,001	1,878	631	2,509	<b>16,510</b>
Fisheries Research and Management Programs	Other Fisheries—Related Projects	911	1,432	4,116	5,548	<b>6,459</b>
Enforcement and Observers	Enforcement and Surveillance	29,052	4,587	19,879	24,466	<b>53,518</b>
Enforcement and Observers	Observers/Training	10,071	2,657	13,014	15,671	<b>25,742</b>
Habitat Conservation and Restoration	Fisheries Habitat Restoration	6,510	1,347	4,406	5,753	<b>12,263</b>

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Habitat Conservation and Restoration	Sustainable Habitat Management	10,465	1,845	3,487	5,332	<b>15,797</b>
Other Activities Support Fisheries	Cooperative Research	2,742	1,071	2,627	3,697	<b>6,439</b>
Other Activities Support Fisheries	Other Projects	26,593	9,457	13,221	22,678	<b>49,271</b>
Overhead	Salaries and Expenses	0	1	8	9	<b>9</b>
Alaska Composite Research	Alaska Composite Research and Development Program	0	0	0	0	<b>0</b>
Systems Acquisition	NMFS Systems	0	0	68	68	<b>68</b>
Construction	NMFS Construction	60	523	349	872	<b>932</b>
NMFS Fleet Replacement	NMFS Fleet Replacement	0	0	1	1	<b>1</b>
Marine Mammals and Sea Turtles	Pacific Coastal Salmon Recovery (PCSR)	272	3	360	363	<b>635</b>
<b>Total</b>		<b>\$294,640</b>	<b>\$68,242</b>	<b>\$147,139</b>	<b>\$215,381</b>	<b>\$510,021</b>

Source: NOAA data extracted from MARS system.

Note: Amounts may not add to totals due to rounding. Although some line items may have the same names, each line item represents a subtotal of the different PPAs under that line item. In addition, obligations data provided by NMFS did not include data from their category "Other Funds", with the exception of data on the Pacific Coastal Salmon Recovery fund.

<sup>a</sup>Includes object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

<sup>b</sup>Includes object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communication and utilities, (24) printing and reproduction, (26) supplies and materials, and (31) equipment.

<sup>c</sup>Includes object class (25) other contractual services.

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

**Table 7: NOS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Ocean Resources Conservation and Assessment	Ocean Assessment Program	\$14,870	\$6,329	\$26,045	\$32,374	<b>\$47,243</b>
Ocean Resources Conservation and Assessment	Coastal Ocean Science	81	0	0	0	<b>81</b>
Ocean Resources Conservation and Assessment	Ocean and Coastal Research	0	0	0	0	<b>0</b>
Ocean Resources Conservation and Assessment	Response and Restoration	12,652	1,940	5,097	7,037	<b>19,689</b>
Ocean Resources Conservation and Assessment	National Centers for Coastal Ocean Science	20,174	4,964	10,086	15,050	<b>35,224</b>
Ocean and Coastal Management	Ocean Management	20,788	6,029	17,825	23,854	<b>44,642</b>
Ocean and Coastal Management	Coastal Management	5,211	1,357	2,418	3,775	<b>8,986</b>
Navigation Services	Mapping and Charting	30,569	9,213	76,376	85,589	<b>116,158</b>
Navigation Services	Geodesy	15,837	3,548	5,507	9,054	<b>24,891</b>
Navigation Services	Tide and Current Data	12,750	6,436	11,491	17,927	<b>30,677</b>
Construction	Coastal and Estuarine Land Conservation Program	0	347	199	547	<b>547</b>
Construction	Estuarine Land Acquisition and Construction	0	46	150	197	<b>197</b>
Construction	Marine Sanctuaries Construction/Acquisition	1,019	392	3,640	4,032	<b>5,051</b>
Construction	Other NOS Construction/Acquisition	321	58	5,445	5,502	<b>5,824</b>
Ocean and Coastal Management	Ocean Management	1,397	190	588	778	<b>2,175</b>

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Ocean Resources Conservation and Assessment	Damage Assessment Center	1,961	642	5,318	5,960	7,921
Ocean Resources Conservation and Assessment	Ocean Assessment Program	30	23	-16	7	36
<b>Total</b>		<b>\$137,660</b>	<b>\$41,513</b>	<b>\$170,170</b>	<b>\$211,683</b>	<b>\$349,343</b>

Source: NOAA data extracted from MARS system.

Note: Amounts may not add to totals due to rounding. Although some line items may have the same names, each line item represents a subtotal of the different PPAs under that line item.

<sup>a</sup>Includes object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

<sup>b</sup>Includes object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communication and utilities, (24) printing and reproduction, (26) supplies and materials, and (31) equipment.

<sup>c</sup>Includes object class (25) other contractual services.

**Table 8: NWS Estimated Salaries and Expenses by Line Item, Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Systems Operations and Maintenance	Public Warning and Forecast Systems (Procurement, Acquisition and Construction)	\$0	\$0	\$0	\$0	\$0
Systems Acquisition	NWS Systems Acquisition	0	13	0	13	13
Construction	NWS Construction	128	3,754	10,602	14,357	14,485
Systems Acquisition	NWS Systems Acquisition	3	0	13	13	16
Construction	Construction	0	0	602	602	602
Systems Acquisition	NWS Systems Acquisition	5,029	17,372	57,530	74,903	79,932
Systems Operations and Maintenance	Systems Operations and Maintenance	24,409	26,864	45,886	72,750	97,160

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Operations and Research	Local Warnings and Forecasts	494,404	66,638	74,677	141,315	<b>635,719</b>
Operations and Research	Operations and Research	40,111	13,875	26,938	40,812	<b>80,924</b>
<b>Total</b>		<b>\$564,084</b>	<b>\$128,516</b>	<b>\$216,249</b>	<b>\$344,765</b>	<b>\$908,849</b>

Source: NOAA data extracted from MARS system.

Note: Amounts may not add to totals due to rounding. Although some line items may have the same names, each line item represents a subtotal of the different PPAs under that line item.

<sup>a</sup>Includes object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

<sup>b</sup>Includes object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communication and utilities, (24) printing and reproduction, (26) supplies and materials, and (31) equipment.

<sup>c</sup>Includes object class (25) other contractual services.

**Table 9: OAR Estimated Salaries and Expenses by Line Item, Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Climate Research	Climate and Global Change Program	\$0	\$4	\$8	\$12	<b>\$12</b>
Climate Research	Global Change	125	0	0	0	<b>125</b>
Climate Research	Climate Observations and Services	15,047	13,840	24,865	38,705	<b>53,752</b>
Climate Research	Laboratories and Joint Institutes	18,922	6,105	8,045	14,150	<b>33,072</b>
Climate Research	Climate Partnership Programs	0	0	0	0	<b>0</b>
Climate Research	Other Partnership Programs	21	13	188	201	<b>222</b>
Weather and Air Quality Research	Weather and Air Quality Research	2	0	0	0	<b>2</b>
Atmospheric Programs	Laboratories and Joint Institutes	0	0	0	0	<b>0</b>

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Weather and Air Quality Research	Weather and Air Quality Research	5	0	-4	-4	1
Weather and Air Quality Research	U.S. Weather Research Program	0	0	0	0	0
Weather and Air Quality Research	Other Partnership Programs	0	0	0	0	0
Weather and Air Quality Research	Weather and Air Partnership Programs	0	0	0	0	0
Weather and Air Quality Research	Other Partnership Programs	0	0	0	0	0
Weather and Air Quality Research	Weather and Air Partnership Programs	0	0	0	0	0
Weather and Air Quality Research	Other Partnership Programs	0	0	0	0	0
Weather and Air Quality Research	Weather and Air Partnership Programs	0	0	0	0	0
Weather and Air Quality Research	Weather and Air Quality Research Programs	24,511	8,785	2,726	11,511	36,023
Ocean, Coastal and Great Lakes Research	National Sea Grant College Program	1,261	630	1,401	2,032	3,293
Ocean, Coastal and Great Lakes Research	National Undersea Research Program	0	0	0	0	0
Ocean, Coastal and Great Lakes Research	Ocean, Coastal and Great Lakes Research	0	0	0	0	0
Oceanic and Great Lakes Programs	Laboratories and Joint Institutes	0	0	0	0	0
Ocean, Coastal and Great Lakes Research	Ocean, Coastal and Great Lakes Research	0	0	46	46	46
Oceanic and Great Lakes Programs	Laboratories and Joint Institutes	0	0	1	1	1
Ocean, Coastal and Great Lakes Research	Ocean Exploration	0	0	35	35	35
Ocean, Coastal and Great Lakes Research	Ocean and Coastal Partnership Programs	0	0	0	0	0

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Oceanic and Great Lakes Programs	Other Partnership Programs	0	0	0	0	0
Ocean, Coastal and Great Lakes Research	Ocean and Coastal Partnership Programs	0	0	0	0	0
Oceanic and Great Lakes Programs	Other Partnership Programs	0	0	0	0	0
Oceanic and Great Lakes Programs	Ocean and Coastal Partnership Programs	0	0	0	0	0
Oceanic and Great Lakes Programs	Other Partnership Programs	0	0	0	0	0
Ocean, Coastal and Great Lakes Research	Ocean and Coastal Partnership Programs	0	0	0	0	0
Oceanic and Great Lakes Programs	Other Partnership Programs	0	0	0	0	0
Ocean, Coastal and Great Lakes Research	Ocean and Coastal Partnership Programs	0	0	0	0	0
Oceanic and Great Lakes Programs	Other Partnership Programs	0	0	0	0	0
Ocean, Coastal and Great Lakes Research	Exploration and Undersea Research	12,415	6,050	11,860	17,909	30,324
Ocean, Coastal and Great Lakes Research	Invasive Species Programs	272	135	674	809	1,080
Ocean, Coastal and Great Lakes Research	Aquaculture	0	0	0	0	0
Ocean, Coastal and Great Lakes Research	Partnership Programs	0	5	173	178	178
Information Technology Research and Development and Science Education	Information Technology Research and Development and Science Education	1,865	1,204	9,311	10,516	12,380
Integrated Ocean Observing System	Integrated Ocean Observing System	0	0	0	0	0
High Performance Computing Initiatives	High Performance Computing Initiatives	0	0	0	0	0

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Climate Research	Other Partnership Programs	227	923	79,313	80,237	<b>80,463</b>
Ocean, Coastal and Great Lakes Research	Exploration and Undersea Research	0	0	0	0	<b>0</b>
Systems Acquisition	OAR Systems	0	0	0	0	<b>0</b>
Systems Acquisition	OAR Systems Acquisition	0	571	9,798	10,369	<b>10,369</b>
Construction	OAR Construction	0	0	0	0	<b>0</b>
<b>Total</b>		<b>\$74,672</b>	<b>\$38,265</b>	<b>\$148,442</b>	<b>\$186,707</b>	<b>\$261,378</b>

Source: NOAA data extracted from MARS system.

Note: Amounts may not add to totals due to rounding. Although some line items may have the same names, each line item represents a subtotal of the different PPAs under that line item.

<sup>a</sup>Includes object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

<sup>b</sup>Includes object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communication and utilities, (24) printing and reproduction, (26) supplies and materials, and (31) equipment.

<sup>c</sup>Includes object class (25) other contractual services.

**Table 10: Program Support Estimated Salaries and Expenses by Line Item, Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
Executive Direction and Administration	Corporate Services	\$20,118	\$5,165	\$1,892	\$7,057	\$27,175
Corporate Services	Corporate Services	80,928	19,802	74,907	94,710	175,638
Education Program	Corporate Services	2,765	1,025	4,615	5,640	8,406
Facilities—Construction (Operations, Research and Facilities)	Facilities	5,607	5,225	10,139	15,363	20,970
Program Support—Construction	Construction	979	646	228,329	228,976	229,955
NOAA Marine and Aviation Operations (NMAO)—Aviation Operations	Aviation Operations	12,631	7,792	9,999	17,791	30,422

**Appendix II: Salaries and Expenses Data for  
NOAA's Budget for Fiscal Year 2009**

Dollars in thousands

<b>Subactivity</b>	<b>Line item</b>	<b>Salaries<sup>a</sup></b>	<b>Expenses (not including contractual services)<sup>b</sup></b>	<b>Expenses related to contractual services<sup>c</sup></b>	<b>Total expenses</b>	<b>Total salaries and expenses</b>
NMAO—Marine Operations and Maintenance	Marine Services	69,822	24,667	18,334	43,001	112,823
NMAO—Marine Operations and Maintenance	NMAO Fleet Planning and Maintenance	144	11,633	24,912	36,544	36,689
NMAO	Integrated Ocean Observing System	341	6,010	5,137	11,147	11,489
NMAO	Fleet Replacement	0	2	0	2	2
Corporate Services	Retired Pay Commissioned Officers	20,534	0	2,500	2,500	23,034
Program Support	Future Healthcare Benefits Current Officers	0	0	1,674	1,674	1,674
<b>Total</b>		<b>\$213,870</b>	<b>\$81,968</b>	<b>\$382,437</b>	<b>\$464,405</b>	<b>\$678,275</b>

Source: NOAA data extracted from MARS system.

Note: Amounts may not add to totals due to rounding. Although, some line items may have the same names, each line item represents a subtotal of the different PPAs under that line item. In addition, obligations data provided by Program Support did not include some American Reinvestment and Recovery Act funds.

<sup>a</sup>Includes object classes (11) personnel compensation, (12) personnel benefits, and (13) benefits for former personnel.

<sup>b</sup>Includes object classes (21) travel and transportation of persons, (22) transportation of things, (23) rent, communication and utilities, (24) printing and reproduction, (26) supplies and materials, and (31) equipment.

<sup>c</sup>Includes object class (25) other contractual services.

---

# Appendix III: Comments from the Department of Commerce

---



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Office of the Secretary**  
Washington, D.C. 20230

January 10, 2011

Ms. Anu Mittal  
Director  
Natural Resources and Environment  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Mittal:

Thank you for the opportunity to review and comment on the Government Accountability Office's draft report entitled, "Financial Management: NOAA Needs to Better Document Its Policies and Procedures for Providing Management and Administration Services" (GAO-11-226). On behalf of the Department of Commerce, I have enclosed the National Oceanic and Atmospheric Administration's programmatic comments on the draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Locke".

Gary Locke

Enclosure

Department of Commerce  
National Oceanic and Atmospheric Administration  
Comments on the Draft GAO Report Entitled  
“Financial Management: NOAA Needs to Better Document Its Policies and Procedures for  
Providing Management and Administration Services”  
(GAO-11-226/January 2011)

**General Comments**

The Department of Commerce’s National Oceanic and Atmospheric Administration (NOAA) appreciates the opportunity to review the Government Accountability Office (GAO) draft report on NOAA’s management and administration services. NOAA generally agrees with the draft report; however, the report treats all of NOAA money as the same. It does not acknowledge, for instance, the differences between Operations, Research and Facilities (ORF) and Procurement, Acquisition and Construction (PAC) funds that impact how management and administration (M&A) services are applied.

NOAA’s response to the report findings and the one recommendation are provided below.

**NOAA Response to GAO Recommendation**

**Recommendation 1:** “To improve the management and oversight of NOAA’s M&A services and related costs, we recommend that the Secretary of Commerce direct the Administrator of NOAA to require that NOAA’s headquarters, line offices, and FMCs document in a manual or handbook their policies and procedures for the M&A services they provide in line with internal control and federal cost accounting standards. Such documentation should include, at a minimum (1) their policies regarding the types of M&A services they provide; (2) the procedures they use each year to determine the costs of their M&A services; (3) their policies and procedures for assigning the costs of their M&A services to specific programs, activities, or outputs that benefit from the services and the results of that cost assignment; and (4) the justification for why those assignments are appropriate.”

**NOAA Response:** NOAA agrees with this recommendation and has already convened an Administrative Cost Working Group, which is in the process of identifying the scope and approach NOAA should take to standardize and reduce its administrative costs and appropriately document them. The working group is chaired by one of the line office Chief Financial Officers (CFO). The Bureau of Industry and Security CFO and the Department of Commerce Deputy Director of Financial Management are participating in the working group to help scope the study to support broader administrative cost standardization across the Department in future years.

---

# Appendix IV: GAO Contact and Staff Acknowledgments

---

## GAO Contact

Anu K. Mittal, (202) 512-3841 or [mittala@gao.gov](mailto:mittala@gao.gov)

---

## Staff Acknowledgments

In addition to the individual named above, Stephen D. Secrist, Assistant Director; Mark A. Braza; Antoinette Capaccio; Candace Carpenter; Heather Dowey; Emily Eischen; Jacqueline M. Nowicki, Christopher Ramig; Carol Herrstadt Shulman; Jack Warner; and Rebecca Yurman made key contributions to this report.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to [www.gao.gov](http://www.gao.gov) and select "E-mail Updates."

---

## Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Ralph Dawn, Managing Director, [dawnr@gao.gov](mailto:dawnr@gao.gov), (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, DC 20548

---

## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

