

Woods Hole Oceanographic Institution

**Report on Federal Awards in Accordance with
OMB Circular A-133
December 31, 2005
EIN #042105850**

Woods Hole Oceanographic Institution
OMB Circular A-133 Supplementary Financial Report
Index
Year Ended December 31, 2005

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Woods Hole Oceanographic Institution
Summary of Reports
December 31, 2005

Report	Report Title	Source of Report
1	Report of Independent Auditors on the Financial Statements for the year ended December 31, 2005	PwC
2	Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	PwC
3	Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	PwC
4	Schedule of Findings and Questioned Costs	PwC
5	Management's Views and Corrective Action Plan and Update to Prior Audit Findings (PwC)	The Institution
6	Audit Report No. 2171-2005N10110001 - Report on Woods Hole Oceanographic Institution's Compliance with Requirements Applicable to its Research and Development Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, Fiscal Year 2005	DCAA
	Appendix 1 Schedule of Findings and Questioned Costs	DCAA
	Appendix 6 Management's Views and Corrective Action Plan (DCAA)	The Institution

**Part I - Financial Statements and
Supplementary Schedule of
Expenditures of Federal Awards**

Report of Independent Auditors

To the Board of Trustees of
Woods Hole Oceanographic Institution

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Woods Hole Oceanographic Institution (the "Institution") as of December 31, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institution's 2004 financial statements, and in our report dated March 17, 2005, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2006, except for Note 13 for which the date is October 4, 2006, on our consideration of the Institution's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2005. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2005 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Handwritten signature in black ink, appearing to read "P. J. Ricketts" followed by the initials "UP".

April 24, 2006, except
for Note 13, for which
the date is October 4, 2006

Woods Hole Oceanographic Institution
Statement of Financial Position
December 31, 2005 (with summarized information as of December 31, 2004)

	2005	2004
Assets		
Cash, unrestricted	\$ 21,360,187	\$ 12,669,547
Cash, restricted	1,027,019	382,421
Reimbursable costs and fees		
Billed (net of allowance for doubtful accounts of \$210,351 for 2005 and \$226,658 for 2004)	2,056,178	3,335,365
Unbilled	6,865,329	6,458,930
Interest and dividends receivable	328,632	276,130
Other receivables (Note 12)	771,182	2,970,530
Pledges receivable, net	4,807,837	6,879,190
Inventory	1,171,878	1,233,746
Deferred charges and prepaid expenses	651,835	1,402,357
Investments, pooled	307,996,468	287,277,109
Investments, nonpooled	5,070,498	5,237,388
Deposits with trustees for construction	3,038,552	24,278,081
Deposits with trustees for debt service	1,898,102	3,154,350
Prepaid postretirement benefit cost	788,826	639,297
Supplemental retirement	6,585,207	6,537,921
Intangible pension asset (Note 8)	13,674,720	-
Other assets	9,155,667	17,384,437
Deferred financing costs	1,225,865	1,268,753
	<u>388,473,982</u>	<u>381,385,552</u>
Property, plant and equipment		
Land, buildings and improvements	113,546,891	68,493,906
Vessels and dock facilities	7,180,241	6,442,869
Laboratory and other equipment	21,098,120	18,132,850
Construction in process	3,253,157	24,195,589
	<u>145,078,409</u>	<u>117,265,214</u>
Accumulated depreciation	<u>(58,641,890)</u>	<u>(53,404,419)</u>
Net property, plant and equipment	<u>86,436,519</u>	<u>63,860,795</u>
Remainder trusts	<u>10,390,619</u>	<u>10,043,233</u>
Total assets	<u>\$ 485,301,120</u>	<u>\$ 455,289,580</u>
Liabilities		
Accounts payable and other liabilities (Note 12)	\$ 14,445,771	\$ 17,845,971
Accrued payroll and related liabilities	5,166,992	5,291,214
Payable for investments purchased	32,435	47,251
Deferred fixed rate variance	3,121,743	129,500
Accrued supplemental retirement benefits	6,585,207	6,537,921
Accrued pension liability (Note 8)	28,795,900	24,697,407
Deferred revenue and refundable advances	7,115,866	6,739,232
Bonds payable	54,850,000	54,850,000
Total liabilities	<u>120,113,914</u>	<u>116,138,496</u>
	<u>\$ 485,301,120</u>	<u>\$ 455,289,580</u>
	<u>\$ 485,301,120</u>	<u>\$ 455,289,580</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted		
Net Assets					
Undesignated	\$ 13,289,946	\$ -	\$ -	13,289,946	10,306,900
Pension	(14,039,903)	-	-	(14,039,903)	(23,705,136)
Designated	3,886,150	7,948,249	-	11,834,399	10,391,968
Pledges and other	-	3,929,354	11,760,091	15,689,445	18,020,853
Plant and facilities	29,868,877	-	-	29,868,877	29,968,854
Education	-	2,846,933	-	2,846,933	3,437,863
Endowment and similar funds	70,942,327	176,151,331	58,603,851	305,697,509	290,729,782
Total net assets	<u>\$ 103,947,397</u>	<u>\$ 190,875,867</u>	<u>\$ 70,363,942</u>	<u>365,187,206</u>	<u>339,151,084</u>
Total liabilities and net assets				<u>\$ 485,301,120</u>	<u>\$ 455,289,580</u>

The accompanying notes are an integral part of these financial statements.

Woods Hole Oceanographic Institution
Statement of Activities
Year Ended December 31, 2005
(with summarized information for the year ended December 31, 2004)

	Unrestricted			2005	2004
	Operating	Sponsored Research	Temporarily Restricted		
Operating revenues					
Fees	\$ 232,291			\$ 232,291	\$ 576,649
Sponsored research					
Government		\$ 70,174,037		70,174,037	67,496,538
Nongovernment		16,251,346	\$ 4,910,827	21,162,173	21,012,293
Ships and subs operations		20,895,382		20,895,382	20,102,588
Sponsored research assets released to operations	112,409,418	(107,320,765)	(5,088,653)	-	-
Education					
Tuition	3,773,444			3,773,444	3,455,307
Investment return designated for education	3,867,255		1,761,590	5,628,845	5,585,654
Gifts			209,503	209,503	351,013
Education funds released from restriction	2,562,023		(2,562,023)	-	-
Investment return designated for current operations	3,464,870			3,464,870	3,381,128
Contributions and gifts, net of releases from restrictions of \$737,803 and \$884,486 in 2005 and 2004, respectively	12,385,611		(396,265)	\$ 822,997	12,805,394
Contributions in kind	622,183			622,183	267,687
Rental income	743,687			743,687	660,191
Communication and publications	252,830			252,830	294,620
Other	533,062			533,062	544,184
Total revenues	140,846,674	-	(1,165,021)	140,504,650	136,533,246
Expenses					
Sponsored research					
National Science Foundation	42,551,224			42,551,224	41,499,749
United States Navy	12,094,074			12,094,074	14,223,555
Subcontracts	10,174,343			10,174,343	12,127,174
National Oceanic & Atmospheric Administration	10,480,622			10,480,622	8,514,822
Department of Energy	521,065			521,065	690,864
United States Geological Survey	1,469,623			1,469,623	999,024
National Aeronautics & Space Administration	980,943			980,943	741,428
Ships Operations	15,307,124			15,307,124	14,809,301
Submersible and ROV operations	5,588,258			5,588,258	5,293,287
Privately funded grants	4,323,674			4,323,674	3,126,607
Other	8,918,468			8,918,468	6,447,780
Education					
Faculty expense	3,583,387			3,583,387	2,930,827
Student expense	4,175,946			4,175,946	3,963,605
Postdoctoral programs	413,616			413,616	369,900
Other	721,291			721,291	687,280
Rental expenses	538,897			538,897	498,164
Communication, publications and development	2,628,541			2,628,541	2,572,930
Fundraising expenses	2,620,896			2,620,896	2,507,237
Un-sponsored programs	6,182,535			6,182,535	5,279,055
Other expenses	1,284,272			1,284,272	920,888
Total expenses	134,558,799	-	-	134,558,799	128,203,477
Change in net assets from operating activities	6,287,875	-	(1,165,021)	5,945,851	8,329,769
Nonoperating income					
Investment return in excess of amounts designated for sponsored research, education and current operations	3,153,328		9,121,972	12,275,300	19,535,160
Net realized/unrealized gains (losses) on interest swap	(640,157)			(640,157)	(4,020,690)
Change in value of split interest agreements	52,687		6,353	378,137	(643,573)
Contributions and gifts			5,000	5,000	15,502
Net assets released from restriction	5,000		(5,000)	-	-
Nonoperating expenses					
Other nonoperating expenses	(99,976)			(99,976)	(99,976)
Net periodic pension cost (Note 8)	(4,389,971)			(4,389,971)	(9,004,045)
Redesignation of gifts and transfers to operating	(1,090,000)		(404,458)	1,190	(2,036,589)
Write-off of fixed assets					(511,023)
Change in net assets from nonoperating activities	(3,009,089)	-	8,723,867	6,035,065	3,234,764
Change in net assets from operating and nonoperating activities	3,278,786	-	7,558,846	11,980,916	11,564,533
Change in additional pension minimum liability (Note 8)	14,055,206	-	-	14,055,206	(14,055,206)
Total change in net assets	17,333,992	-	7,558,846	26,036,122	(2,490,673)
Net assets at beginning of year	86,613,405	-	183,317,021	339,151,084	341,641,757
Net assets at end of year	\$ 103,947,397	\$ -	\$ 190,875,867	\$ 365,187,206	\$ 339,151,084

The accompanying notes are an integral part of these financial statements.

Woods Hole Oceanographic Institution
Statement of Cash Flows
Year Ended December 31, 2005
(with summarized information for the year ended December 31, 2004)

	2005	2004
Cash flows from operating activities		
Total change in net assets	\$ 26,036,122	\$ (2,490,673)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	5,882,972	5,180,075
Change in split interest agreements	(378,137)	643,575
Allowance for uncollectible pledges	75,098	93,679
Discount on pledges	(127,932)	215,801
Net realized and unrealized (gain) loss on investments	(24,591,314)	(27,688,898)
Additional minimum pension liability	(14,055,206)	14,055,206
Contributions to be used for long-term investment	(2,395,237)	(2,553,132)
Gift of property	-	(5,034,355)
(Increase) decrease in assets		
Restricted cash	(644,598)	1,125,334
Interest and dividends receivable	(52,502)	221,811
Reimbursable costs and fees		
Billed	1,279,187	(1,606,730)
Unbilled	(406,399)	(1,788,301)
Other receivables	2,199,348	5,064,081
Pledges receivable	2,124,187	(2,341,974)
Inventory	61,868	(149,622)
Deferred charges and prepaid expenses	750,522	(626,839)
Deferred fixed rate variance	-	3,197,693
Other assets	8,228,770	(366,431)
Remainder trusts	-	(43,044)
Prepaid pension cost	(149,529)	149,529
Supplemental retirement	(47,286)	(280,882)
Increase (decrease) in liabilities		
Accrued pension liability	4,478,979	9,340,167
Accounts payable and other liabilities	(5,609,826)	(3,903,660)
Accrued payroll and related liabilities	(124,222)	(936,736)
Deferred revenue and refundable advances	376,634	1,423,096
Accrued supplemental retirement benefits	47,286	280,882
Deferred fixed rate variance	2,992,243	129,500
Net cash provided by (used in) operating activities	<u>5,951,028</u>	<u>(8,690,848)</u>
Cash flows from investing activities		
Capital expenditures		
Additions to property and equipment	(26,175,431)	(20,007,169)
Endowment		
Receivable for investments sold	-	22,044,791
Payable for investments purchased	(14,816)	47,251
Proceeds from the sale of investments	95,045,755	130,132,661
Purchase of investments	(91,006,910)	(146,911,010)
Change in construction fund	21,239,529	-
Change in debt service funds	1,256,248	-
Net cash provided by (used in) investing activities	<u>344,375</u>	<u>(14,693,476)</u>
Cash flows from financing activities		
Borrowings under debt agreement	-	54,850,000
Loan payments	-	(10,724,206)
Deferred financing costs	-	(1,290,196)
Proceeds from bonds deposited into construction fund	-	(24,278,081)
Proceeds from bonds deposited into debt service funds	-	(3,154,350)
Contributions to be used for long-term investment	2,395,237	2,553,132
Net cash provided by financing activities	<u>2,395,237</u>	<u>17,956,299</u>
Net increase (decrease) in cash and cash equivalents	8,690,640	(5,428,025)
Cash and cash equivalents, beginning of year	12,669,547	18,097,572
Cash and cash equivalents, end of year	<u>\$ 21,360,187</u>	<u>\$ 12,669,547</u>
Supplemental disclosures		
Cash paid for interest	\$ 663,969	\$ 761,500
Noncash activity		
Gift of property	-	5,034,355
Construction in process additions remaining in accounts payable	2,240,377	4,523,689
Change in intangible pension asset	13,674,720	5,644,240

The accompanying notes are an integral part of these financial statements.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2005

1. Background

Woods Hole Oceanographic Institution (the "Institution") is a private, independent not-for-profit research and educational institution located in Woods Hole, Massachusetts. Founded in 1930, the Institution is dedicated to working and learning at the frontier of ocean science and attaining maximum return on intellectual and material investments in oceanographic research.

The Institution is a qualified tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code as it is organized and operated for education and scientific purposes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting.

The financial statements include certain prior-year summarized comparative information, but do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institution's audited financial statements for the year ended December 31, 2004, from which the summarized information was derived.

Net assets, revenues, and realized and unrealized gains and losses are classified based on the existence or absence of donor-imposed restrictions and legal restrictions imposed under Massachusetts State law. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Institution. Generally the donors of these assets permit the Institution to use all or part of the income earned and capital appreciation, if any, on related investments for general or specific purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Institution and/or the passage of time. Unspent gains on permanent endowment are classified as temporarily restricted until the Institution appropriates and spends such sums in accordance with the terms of the underlying endowment funds and in accordance with Massachusetts law, at which time they will be released to unrestricted revenues.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Amounts received for sponsored research (under exchange transactions) are reflected in unrestricted sponsored research and released to operations when spent for the appropriate purpose, or as deferred revenue if expenditures have yet to be incurred.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2005

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or items' restrictions are met. Certain releases from temporarily restricted amounting to \$737,803 and \$884,486 for the years ended December 31, 2005 and 2004, respectively, are netted against contributions and are included in unrestricted sponsored research. Promises to give, subject to donor-imposed stipulations that the corpus be maintained permanently, are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions other than cash are generally recorded at market value on the date of the gift (or an estimate of fair value), although certain noncash gifts, for which a readily determinable market value cannot be established, are recorded at a nominal value until such time as the value becomes known. Contributions to be received after one year are discounted at the appropriate rate commensurate with risk. Amortization of such discount is recorded as additional contribution revenue in accordance with restrictions imposed by the donor on the original contribution, as applicable. Amounts receivable for contributions are reflected net of an applicable reserve for collectibility.

The Institution reports contributions in the form of land, buildings, or equipment as unrestricted operating support at fair market value when received.

Dividends, interest and net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift or relevant state law impose restrictions on the current use of the income or net realized and unrealized gains; and
- as increases in unrestricted net assets in all other cases.

Operations

The statement of activities report the Institution's operating and nonoperating activities. Operating revenues and expenses consist of those activities attributable to the Institution's current annual research or educational programs, all gifts received except those received for property, plant and equipment purposes and a component of endowment income appropriated for operations (Note 3). Unrestricted endowment investment income and gains over the amount appropriated under the Institution's spending plan are reported as nonoperating revenue as investment return in excess of amounts designated for sponsored research, education and current operations. Nonoperating revenue also includes the change in value of split interest agreements, contributions restricted for property, plant and equipment purposes, gains or losses on disposals of fixed assets, net realized/unrealized gains (losses) on interest swaps and the net periodic pension cost on the noncontributory defined benefit pension plan that is not reimbursed by the employee benefit fixed rate. Additionally, nonoperating activities includes redesignation of donor gifts and depreciation on certain government-funded facilities.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2005

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and overnight repurchase agreements with initial maturities of three months or less when purchased which are stated at cost and approximates market value.

Included in restricted cash at December 31, 2005 and 2004 is \$782,927 and \$142,991, respectively, representing advances received from the United States Navy and other U.S. Government and state agencies. Such amounts are restricted as to use for research programs. Interest earned on unspent funds is remitted to the federal government.

Also included in restricted cash at December 31, 2005 and 2004 is \$244,092 and \$239,430, respectively, representing cash restricted by the Massachusetts Department of Public Health. Interest earned on unspent funds is reinvested within the restricted cash account.

In addition, cash and cash equivalents include uninvested amounts from each classification of net assets (e.g., endowment).

Investments

Investment securities are carried at market value determined as follows: securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sales prices were reported on that day are valued at closing bid prices. The value of publicly traded securities is based upon quoted market prices and net asset values. Other securities, such as private equity funds, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Institution believes that these valuations are a reasonable estimate of fair value as of December 31, 2005 and 2004 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material.

Purchases and sales of investment securities are recorded on a trade date basis. Realized gains and losses are computed on a specific identification method. Investment income, net of investment expenses, is distributed on the unit method.

Investment Income Unitization

The Institution's investments are pooled in an endowment fund and the investments and allocation of income are tracked on a unitized basis. The Institution distributes to operations for each individual fund an amount of investment income earned by each of the fund's proportionate share of investments based on a total return policy.

The Board of Trustees has appropriated all of the income and a specified percentage of the net appreciation (depreciation) to operations as prudent considering the Institution's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Institution's current endowment spending policy, which is within the guidelines specified under state law, between 4% and 5.5% of a 36-month average market value of qualifying endowment investments is appropriated. This amounted to \$13,562,503 and \$13,316,806 for the years ending December 31, 2005 and 2004, respectively, and is classified in operating revenues (research, education, and operations).

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2005

Deposits with Trustees

Deposits with trustees consists principally of investments in United States Government obligations and have been deposited with trustees as required under certain loan agreements. At December 31, 2005 and 2004, respectively, the amounts consist of \$1,898,102 and \$3,154,350 for debt service and \$3,038,552 and \$24,278,081 for construction purposes. Interest income on debt service amounted to \$61,265 in 2005 and \$20,766 in 2004 and is reflected in the statement of activities within other income. Interest income on construction funds amounted to \$248,171 and \$310,933 in 2005 and 2004, respectively, and is reflected in the statement of activities within other income.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Contracts and Grants

Revenues earned on contracts and grants for research are recognized as related costs are incurred.

The Institution received approximately 90% and 92% of its sponsored research revenues from government agencies including 55% and 57% of its operating revenues from the National Science Foundation and 11% and 14% from the United States Navy in fiscal years 2005 and 2004, respectively. Although applications for research funding to federal agencies historically have been funded, authorizations are subject to annual Congressional appropriations and payment.

Deferred Financing Costs

Costs incurred in connection with the placement of the Massachusetts Health and Educational Facilities Authority, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series 2004, have been deferred and are being amortized over the term of the obligation on a straight line basis.

Interest Rate Swap

The Institution has entered into an interest rate swap agreement on the Massachusetts Health and Educational Facilities Authority, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series 2004 Bonds in order to convert a portion of the variable rate debt to fixed rate, thereby economically hedging against changes in the cash flow requirements of the Institution's variable rate debt obligations.

Net payments or receipts (difference between variable and fixed rate) under the swap agreement along with the change in fair value of the swap are recorded in nonoperating activities as net realized/unrealized gains (losses) on interest swap.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on a straight-line basis at annual rates of 12 to 39 years on buildings and improvements, 10 to 15 years on vessels and dock facilities and 5 to 10 years on laboratory and other equipment. Depreciation expense on property, plant, and equipment purchased by the Institution in the amounts of \$5,740,108 and \$5,058,656 in 2005 and 2004, respectively, has been charged to operating activities. Depreciation on certain government-funded facilities (the Laboratory for Marine Science and the dock facility) amounting to \$99,976 in 2005 and in 2004 has been charged to nonoperating expenses as these assets were gifted by the Government.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2005

Construction commitments totaled \$2,264,844 at December 31, 2005.

During fiscal 2005 and 2004, the Institution capitalized interest of \$716,427 and \$65,500, respectively.

Included in construction in process is \$669,180 and \$18,799,066 at December 31, 2005 and 2004, respectively, relating to campus development.

Conditional Asset Retirement Obligations

The Institution implemented Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* during 2005. The effects of implementing this interpretation in 2005 were immaterial.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Investments

The cost and market value of pooled investments held at December 31 are as follows:

	2005		2004	
	Cost	Market	Cost	Market
US treasury bonds	\$ 27,200,000	\$ 27,650,867	\$ 27,200,000	\$ 27,254,862
Corporate bonds	17,330,371	17,194,079	17,411,829	17,620,896
International bond funds	9,619,483	9,070,163	9,613,758	10,219,035
Private equity funds	51,018,353	69,197,823	40,003,133	52,910,222
Hedge funds	36,295,000	40,176,098	31,295,000	33,005,771
Domestic equities	46,578,718	55,288,876	48,425,676	59,816,051
International equities	48,693,352	62,668,897	50,282,579	63,791,628
Venture capital	28,375,188	26,702,972	28,027,323	22,611,951
Other	46,693	46,693	46,693	46,693
Total investments	\$ 265,157,158	\$ 307,996,468	\$ 252,305,991	\$ 287,277,109

The nonpooled investments with a cost of \$5,200,020 and a market value of \$5,070,498 at December 31, 2005 are invested in a private bond fund.

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The following schedule summarizes the investment return on pooled and nonpooled investments and its classification in the statement of activities:

	Unrestricted	Temporarily restricted	2005 Total	2004 Total
Dividend and interest income	\$ 1,996,691	\$ 1,761,590	\$ 3,758,281	\$ 6,813,948
Investment management costs	(2,069,753)	-	(2,069,753)	(1,275,801)
Net realized gains	3,893,821	12,996,199	16,890,020	17,142,121
Change in unrealized appreciation	6,664,694	1,036,600	7,701,294	10,546,777
Total return on investments	<u>10,485,453</u>	<u>15,794,389</u>	<u>26,279,842</u>	<u>33,227,045</u>
Investment return designated for				
Sponsored research	-	(4,910,827)	(4,910,827)	(4,725,103)
Education	(3,867,255)	(1,761,590)	(5,628,845)	(5,585,654)
Current operations	(3,464,870)	-	(3,464,870)	(3,381,128)
Total distributions to operations	<u>(7,332,125)</u>	<u>(6,672,417)</u>	<u>(14,004,542)</u>	<u>(13,691,885)</u>
Investment return in excess of amounts designated for sponsored research, education and current operations	<u>\$ 3,153,328</u>	<u>\$ 9,121,972</u>	<u>\$ 12,275,300</u>	<u>\$ 19,535,160</u>

Investment return distributed to operations includes \$442,039 and \$375,079 earned on non-endowment investments for the years ended December 31, 2005 and 2004, respectively.

As a result of market declines, the fair value of certain donor restricted endowments is less than the historical cost value of such funds by \$232,279 at December 31, 2005 and \$434,022 at December 31, 2004. These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such fund increases temporarily restricted net assets.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the market values and the amounts reported in the statement of financial position.

Endowment income for pooled investments is allocated to each individual fund based on a per unit valuation. The value of an investment unit at December 31 is as follows:

	2005	2004
Unit value, beginning of year	\$ 4.1517	\$ 3.9177
Unit value, end of year	4.3755	4.1517
Net change for the year	.2238	.2340
Investment income per unit for the year	.0173	.0361
Total return per unit	<u>\$.2411</u>	<u>\$.2701</u>

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4. Pledges Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a discount rate equivalent to U.S. Treasury yields of similar maturity (ranging from 2.36–3.63, depending upon the anticipated pledge fulfillment date).

Pledges receivable consist of the following at December 31:

	2005	2004
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,127,027	\$ 2,372,251
One year to five years	3,208,472	5,087,435
Reserve for uncollectible pledges receivable	(373,485)	(298,387)
Unamortized discount	(154,177)	(282,109)
	<u>\$ 4,807,837</u>	<u>\$ 6,879,190</u>

5. Contribution Receivable from Remainder Trusts

The Institution recorded \$10,390,619 and \$10,043,233 at December 31, 2005 and 2004, respectively, relating to various charitable remainder trusts in its statement of financial position. The receivable and related revenue is measured at the present value of estimated future cash flows to be received and recorded in the appropriate net asset category based on donor stipulation. During the term of these agreements, changes in the value are recognized based on amortization of discounts and changes in actuarial assumptions.

6. Deferred Fixed Rate Variance

The Institution receives funding or reimbursement from federal government agencies for sponsored research under government grants and contracts. Revenue is recognized as related costs are incurred. The Institution has negotiated fixed rates with the federal government for the recovery of certain fringe benefits and indirect costs on these grants and contracts. Such recoveries are subject to carryforward provisions that provide for adjustments to be included in the negotiation of future fixed rates. The deferred fixed rate variance accounts represent the cumulative amount owed to or due from the federal government. The Institution's rates are negotiated with the Office of Naval Research (ONR), the Institution's cognizant agency.

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The composition of the deferred fixed rate variance is as follows:

Deferred Fixed Rate Variance asset, December 31, 2003	\$ 3,197,693
2004 indirect costs	51,834,850
2003 adjustment	1,081
Amounts recovered	<u>(55,163,124)</u>
2004 change	<u>(3,327,193)</u>
Deferred Fixed Rate Variance liability, December 31, 2004	<u>(129,500)</u>
2005 indirect costs	53,394,255
2004 adjustment	(5,572)
Amounts recovered	<u>(56,380,926)</u>
2004 change	<u>(2,992,243)</u>
Deferred Fixed Rate Variance liability, December 31, 2005	<u>\$ (3,121,743)</u>

As of December 31, 2005 the Institution has received a cumulative recovery in excess of expended amounts of \$3,121,743 which will be reflected as a deduction to future year recoveries. This amount has been reported as liability of the Institution.

7. Bonds Payable

In fiscal 2004, proceeds were received from the offering of the \$54,850,000 Massachusetts Health and Educational Facilities Authority (MHEFA) Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series 2004, which were used to repay the MHEFA B Pool loans and are being used for campus construction. The bonds contain certain restrictive covenants including limitations on obtaining additional debt, filings of annual financial statements and limitations on the creation of liens. In addition, the Institution agrees that, subject to any governmental restrictions, its fiduciary obligations and limitations imposed by law, it will maintain unrestricted resources at a market value equal to at least 75% of all outstanding indebtedness. The bonds also require a debt service fund to be established. Included in deposits with trustees on the statement of financial position is the market value of the debt service fund of \$1,898,102 and \$3,154,350 at December 31, 2005 and 2004, respectively. The Series 2004 Bonds are collateralized by the Institution's unrestricted revenues. The interest rate for the Series 2004 Bonds is variable and set weekly, and at December 31, 2005, the rate was 3.46%.

The aggregate maturities due on long-term debt at December 31, 2005 are as follows:

Fiscal Year	Principal Amount
2008	\$ 1,150,000
2009	1,200,000
2010	1,250,000
Thereafter	<u>51,250,000</u>
	<u>\$ 54,850,000</u>

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In June 2004, the Institution entered into an interest rate swap agreement, with a term through June 1, 2034. This swap effectively locks in a fixed rate of 3.79% per annum. The agreement has a notional amount of \$54,850,000. At December 31, 2005 and 2004, respectively, the market value of the swap agreement amounted to a liability of \$3,070,826 and \$3,298,128 which is included in accounts payable and other liabilities. The value of the interest rate swap is reflected within accounts payable and other liabilities and nonoperating income/expense in the financial statements. Additionally, the Institution paid interest expense in association with the swap agreement of \$867,459 and \$722,562 which is reflected as part of the net realized/unrealized gains (losses) on interest swap at December 31, 2005 and 2004, respectively. For internal financial reporting purposes, the realized/unrealized loss on the interest rate swap is reflected in operating expenses, and interest income and interest expense related to the debt is reflected in operating income and operating expenses, respectively.

8. Retirement Plans

The Institution maintains a noncontributory defined benefit pension plan covering substantially all employees of the Institution, a restoration plan for certain senior employees and a supplemental benefit plan for certain other employees. Pension benefits are earned based on years of service and compensation received. The Institution's policy is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974.

The Institution uses a December 31 measurement date for all of its plans.

	Restoration Plan Pension Benefits	
	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,319,056	\$ 1,200,690
Service cost	20,615	25,699
Interest cost	66,098	86,005
Plan amendments	510,796	(190,939)
Actuarial (gain) loss	(275,626)	197,601
Benefit obligation at end of year	<u>\$ 1,640,939</u>	<u>\$ 1,319,056</u>
Funded status	\$ (1,640,939)	\$ (1,319,056)
Unrecognized net actuarial loss	33,773	355,726
Unrecognized prior service cost	525,887	(28,941)
Net amount recognized	<u>\$ (1,081,279)</u>	<u>\$ (992,271)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	\$ (1,405,839)	\$ (1,090,718)
Cumulative reduction in net assets	-	98,447
Intangible asset	324,560	-
Net amount recognized	<u>\$ (1,081,279)</u>	<u>\$ (992,271)</u>

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	Restoration Plan Pension Benefits	
	2005	2004
Change in net assets attributable to change in additional minimum liability recognition	\$ (98,447)	\$ 98,447
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	1,640,939	1,319,056
Accumulated benefit obligation	1,405,828	1,090,718
Fair value of plan assets	-	-
Components of net periodic benefit cost		
Service cost	20,615	25,699
Interest cost	66,098	86,005
Amortization of prior service cost	(44,032)	87,650
Recognized actuarial loss	46,326	136,768
Net periodic benefit cost	<u>\$ 89,007</u>	<u>\$ 336,122</u>
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.75%	5.75%
Rate of compensation increase	4.50%	6.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.75%	6.25%
Rate of compensation increase	6.00%	6.00%

As a result of plan amendments made to the Institution's noncontributory defined benefit pension plan, the Restoration Plan pension benefits had a corresponding change (see qualified plan for a summary of plan amendments).

Expected Contributions

The Institution anticipates contributing \$47,570 to the Restoration Plan in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2006	\$ 45,570
2007	-
2008	1,816,663
2009	-
2010 and thereafter	-

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	Qualified Plan Pension Benefits	
	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 177,927,242	\$ 176,914,377
Service cost	5,922,793	7,006,323
Interest cost	9,751,495	11,250,529
Plan amendments	34,734,251	(27,041,213)
Actuarial (gain) loss	(3,985,084)	18,666,776
Benefits paid	<u>(9,579,933)</u>	<u>(8,869,550)</u>
Benefit obligation at end of year	<u>\$ 214,770,764</u>	<u>\$ 177,927,242</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 150,616,331	\$ 143,751,387
Employer contributions	1,927,020	-
Actual return on plan assets	12,958,470	15,734,494
Benefits paid	<u>(9,579,933)</u>	<u>(8,869,550)</u>
Fair value of plan assets at end of year	<u>\$ 155,921,888</u>	<u>\$ 150,616,331</u>
Funded status	\$ (58,848,876)	\$ (27,310,911)
Unrecognized net actuarial loss	27,551,799	36,107,982
Unrecognized prior service cost	<u>17,257,176</u>	<u>(18,447,001)</u>
Net amount recognized	<u>\$ (14,039,901)</u>	<u>\$ (9,649,930)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	\$ (27,390,061)	\$ (23,606,689)
Cumulative reduction in net assets	-	13,956,759
Intangible asset	<u>13,350,160</u>	<u>-</u>
Net amount recognized	<u>\$ (14,039,901)</u>	<u>\$ (9,649,930)</u>
Change in net assets attributable to change in additional minimum liability recognition	\$ (13,956,759)	\$ 13,956,759
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	214,770,764	177,927,242
Accumulated benefit obligation	183,311,949	174,223,020
Fair value of plan assets	155,921,888	150,616,331
Components of net periodic benefit cost		
Service cost	5,922,793	7,006,323
Interest cost	9,751,495	11,250,529
Expected return on plan assets	(10,689,353)	(11,708,592)
Amortization of prior service cost	(969,926)	1,343,266
Recognized actuarial loss	<u>2,301,982</u>	<u>1,112,519</u>
Net periodic benefit cost	<u>\$ 6,316,991</u>	<u>\$ 9,004,045</u>

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In 2005, the Institution has reflected \$1,927,020 of the net periodic benefit cost in the operating section of the statement of activities which represents the amount reimbursed through the employee benefit fixed rate as negotiated with the United States Government. The remaining \$4,389,971 of net periodic benefit cost is reflected in nonoperating expenses. In 2004, the entire net periodic benefit cost of \$9,004,045 was reflected in the nonoperating section of the statement of activities as no portion of the cost was reimbursed through the employee benefit fixed rate. In 2004, the Institution was required to record an additional charge of \$13,956,759 to reflect a minimum balance sheet liability equal to the Plan's unfunded accumulated benefit obligation. In 2005, the accumulated reduction in net assets was reversed because an intangible asset was permitted to be established to offset the additional minimum liability on the statement of financial position.

	Qualified Plan Pension Benefits	
	2005	2004
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.75%	5.75%
Rate of compensation increase	4.50%	(3.5% prior to plan amendment)
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.75%	6.25%
Expected long-term rate of return on plan assets	8.00%	8.50%
Rate of compensation increase	-	3.50%

To develop the expected long-term rate of return on assets assumption, the Institution considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio, net of expenses expected to be paid. This resulted in the selection of the 8.00% assumption.

Effective December 31, 2004, final average compensation for the Plan was frozen and equal to a participant's final average compensation determined as of December 31, 2004. A one year index of 4.5% will be applied to the frozen December 31, 2004 final average compensation for service performed during 2005. In addition, effective December 31, 2004, the minimum lump-sum benefit was amended to eliminate the 8% pay credit for years after 2005. These changes have been reflected in the liabilities as of December 31, 2004.

Effective January 1, 2006, the Qualified Plan was amended. The lump sum (introduced in 1999) will no longer be available on benefits earned after January 1, 2006. Benefits for service from 25 to 35 years introduced in 1999 will be removed. The lifetime benefit payable upon early retirement has changed from a 6% per year reduction to a 5% per year reduction. Minimum lump sum benefits equal to 5% of final average compensation times service replaces the minimum introduced in 1999 of approximately 8%. The preretirement death benefit has been reduced from 100% of the accrued pension benefit to 50% of the accrued pension benefit but not less than the participant's accrued benefit as of December 31, 2005. The 3-year vesting period (introduced in 1999) will change to a 5-year vesting service for employees hired after December 31, 2005. These changes have been reflected in the intangible asset and in the liability as of December 31, 2005.

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Plan Assets

The Institution's pension plan weighted-average asset allocations at December 31, 2005 and 2004, by asset category are as follows:

Asset Category	2005	2004
Equity securities	57%	80%
Debt securities	17%	18%
Cash	3%	2%
Nonmarketable alternative investments	23%	-
	<u>100%</u>	<u>100%</u>

The following target asset allocation is used:

Asset Category	Target Allocation
U.S. equity	30%
Global excluding U.S. equity	12%
Emerging markets equity	3%
Hedge fund of funds	15%
Alternative investments	15%
Real assets	5%
Bonds	20%

The primary financial objectives of the assets of the Plan are to (1) provide a stream of relatively predictable, stable and constant earnings in support of the Qualified Plan's annual benefit payment obligations; and (2) preserve and enhance the real (inflation-adjusted) value of assets, over time, with the goal of meeting the anticipated future benefit obligations of the qualified plan.

The long-term investment objectives of the assets of the Plan are to (1) attain the average annual total return assumed in the Plan's most recent actuarial assumptions (net of investment management fees) over rolling five-year periods; and (2) outperform the custom benchmark.

Expected Contributions

The Institution anticipates contributing \$6,000,000 to the Qualified Plan in 2006.

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Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2006	\$ 14,725,939
2007	13,771,821
2008	13,638,214
2009	14,568,931
2010	13,651,305
2011 - 2015	75,261,192

	Supplemental Plan Pension Benefits	
	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 3,922,283	\$ 3,430,977
Service cost	71,554	89,087
Interest cost	186,266	227,880
Actuarial loss	(428,816)	393,799
Benefits paid	(193,737)	(219,460)
Plan change	38,350	-
Benefit obligation at end of year	<u>\$ 3,595,900</u>	<u>\$ 3,922,283</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	193,737	219,460
Benefits paid	(193,737)	(219,460)
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status	\$ (3,595,900)	\$ (3,922,283)
Unrecognized actuarial (gain) loss	(59,160)	331,548
Unrecognized prior service cost	39,351	1,316
Net amount recognized	<u>\$ (3,615,709)</u>	<u>\$ (3,589,419)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ (3,615,709)</u>	<u>\$ (3,589,419)</u>

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Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 3,595,900	\$ 3,922,283
Accumulated benefit obligation	3,277,938	3,402,514
Fair value of plan assets	-	-
Components of net periodic benefit cost		
Service cost	\$ 71,554	\$ 89,087
Interest cost	186,266	227,880
Expected return on earmarked reserves	(192,649)	(213,372)
Amortization of prior year service cost	315	315
Net periodic benefit cost	<u>\$ 65,486</u>	<u>\$ 103,910</u>
Actual return on earmarked reserves	\$ 154,541	\$ 160,610
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.75%	5.75%
Rate of compensation increase	4.50%	3.50%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.75%	6.25%
Expected long-term rate of return on plan assets	8.00%	8.50%
Rate of compensation increase	4.50%	3.50%

The accrued supplemental retirement is matched by a "Rabbi" Trust with \$6,585,207 and \$6,537,921, respectively, as of December 31, 2005 and 2004. An additional accrual of \$2,969,498 and \$2,948,502 has been established for the excess of the "Rabbi" Trust assets over the accrued supplemental retirement benefits at December 31, 2005 and 2004, respectively.

Expected Contributions

The Institution does not anticipate contributing to the Supplemental Plan in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2006	\$ 396,872
2007	502,076
2008	576,642
2009	510,776
2010	519,166
Years 2011 - 2015	1,904,514

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9. Other Postretirement Benefits

In addition to providing retirement plan benefits, the Institution provides certain health care benefits for retired employees and their spouses. Substantially all of the Institution's employees may become eligible for the benefits if they reach normal retirement age (as defined) or elect early retirement after having met certain time in service criteria.

	Other Postretirement Benefits	
	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 26,594,502	\$ 33,153,875
Service cost	693,340	1,055,495
Interest cost	1,385,648	2,216,096
Plan amendment	-	(18,015,085)
Benefits paid	(1,440,682)	(1,278,178)
Actuarial loss	(1,626,986)	9,462,299
Benefit obligation at end of year	<u>\$ 25,605,822</u>	<u>\$ 26,594,502</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 19,042,401	\$ 16,213,670
Employer contributions	683,853	2,823,000
Actual return on plan assets	1,038,079	1,397,393
Benefits paid	(1,440,682)	(1,278,178)
Administrative expenses	-	(113,484)
Fair value of plan assets at end of year	<u>\$ 19,323,651</u>	<u>\$ 19,042,401</u>
Funded status	\$ (6,282,171)	\$ (7,552,101)
Unrecognized net actuarial loss	18,497,259	20,957,816
Unrecognized prior service cost (credit)	(11,426,262)	(12,766,418)
Net amount recognized	<u>\$ 788,826</u>	<u>\$ 639,297</u>
Amounts recognized in the statement of financial position consist of		
Prepaid benefit cost	<u>\$ 788,826</u>	<u>\$ 639,297</u>
Components of net periodic benefit cost		
Service cost	\$ 693,340	\$ 1,055,495
Interest cost	1,385,648	2,216,096
Expected return on plan assets	(1,475,831)	(1,456,524)
Amortization of transition obligation	-	853,549
Amortization of prior service cost	(1,340,156)	(526,577)
Recognized actuarial loss	1,271,325	830,490
Net periodic benefit cost	<u>\$ 534,326</u>	<u>\$ 2,972,529</u>

Woods Hole Oceanographic Institution
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The Institution has reflected the net periodic benefit cost in operating expenses, as the amount is reimbursed through federal awards.

Weighted-average assumptions used to determine benefit obligations at December 31

Discount rate	5.75%	5.75%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.75%	6.25%
Expected long-term rate of return on plan assets	8.00%	8.50%

On December 8, 2003, Medicare reform legislation was enacted, providing a Medicare prescription drug benefit beginning in 2006 and federal subsidies to employers who provide drug coverage to retirees. The Institution decided not to reflect the future government subsidy in the fiscal 2004 expense. However, in December 2004, the Institution amended the plan to eliminate prescription drug coverage for all post-65 retirees effective January 1, 2006, and to encourage enrollment in Medicare Part D by reimbursing Medicare Part D premiums beginning in 2006. These changes have been reflected in the obligations as of December 31, 2004.

	2005		2004	
	Pre-65	Post-65	Pre-65	Post-65
Assumed health care cost trend rates at December 31				
Health care cost trend rate assumed for next year	10.0%	7.3%	11.0%	11.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	4.3%	5.0%	4.3%
Year that the rate reaches the ultimate trend rate	2014	2013	2014	2013

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2005		2004	
	One-Percentage-Point Increase in Trend		One-Percentage-Point Increase in Trend	
Effect on total of service cost and interest cost components	\$	365,522	\$	803,127
Effect on year-end postretirement benefit obligation		3,709,195		3,682,332
	One-Percentage-Point Decrease in Trend		One-Percentage-Point Decrease in Trend	
Effect on total of service cost and interest cost components	\$	(292,004)	\$	(410,643)
Effect on year-end postretirement benefit obligation		(3,048,587)		(3,002,534)

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Plan Assets

The Institution's postretirement benefit plan weighted-average asset allocations at December 31, 2005 and 2004, by asset category are as follows:

Asset Category	2005	2004
Equity securities	100%	82%
Debt securities	-	18%
	<u>100%</u>	<u>100%</u>

To develop the expected long-term rate of return on assets assumption, the Institution considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio, net of expenses expected to be paid. This resulted in the selection of the 8.00% assumption.

Expected Contributions

The Institution anticipates contributing \$600,000 to the Retiree Medical Plan in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2006	\$ 1,189,099
2007	1,253,294
2008	1,342,660
2009	1,406,349
2010	1,474,308
Years 2011 - 2015	8,735,830

10. Commitments and Contingencies

The Defense Contract Audit Agency (DCAA) is responsible for auditing both direct and indirect charges to grants and contracts on behalf of the ONR. The Institution and the ONR have settled the years through 2003. The current indirect cost recovery rates, which are fixed, include the impact of prior year settlements. The DCAA issued an audit report on the completed audit of direct and indirect costs for the year ended December 31, 2004 on October 13, 2005. The audit resulted in no questioned direct or indirect costs. The 2005 costs remain subject to audit. Any adjustments will be recorded in the years they become known.

The Institution through its pooled investments is committed to invest \$19,465,355 in certain venture capital and investment partnerships as of December 31, 2005.

The Institution is a defendant in legal proceedings incidental to the nature of its operations. The Institution believes that the outcome of these proceedings will not materially affect its financial position.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2005

11. Related Party Transactions

In fiscal year 2005, the Institution passed through Federal Awards of approximately \$794,000 to subgrantee organizations in which an individual associated with the subgrantee organization is also a member of the Institution's Board of Trustees or Corporation. The Institution also has other transactions such as legal services and other items with organizations where members of the Board of Trustees or Corporation are affiliated with the organizations. Total expenditures for these legal and other transactions were approximately \$353,000 and \$496,000 for the years ended December 31, 2005 and 2004, respectively.

The Institution has loans due from various employees for education advances and computer purchases. The amounts outstanding are approximately \$693,000 and \$643,000 at December 31, 2005 and 2004, respectively.

12. Clark Laboratory Fire

In October 2002, the Institution experienced a fire in the Clark Laboratory Building which resulted in contamination and damage to several laboratories, clean rooms and equipment. Since then, the Institution has coordinated with its insurance carrier and other interested parties to identify and quantify the damage caused by the fire. The Institution has received a total of \$6,473,000 in cash from the insurance company of which \$1,473,000 was received in 2005 and \$1,000,000 was received in 2004. Approximately \$8,661,000 in total was paid to various parties for fire related damages. Of this amount, approximately \$1,798,000 was paid in 2005 and approximately \$2,118,000 was paid in 2004. The total loss related to the fire was \$2,188,000, of which \$729,000 was recognized in 2005.

13. Subsequent Event

The Defense Contract Audit Agency (DCAA) is responsible for auditing both direct and indirect charges to grants and contracts on behalf of the ONR. The Institution and the ONR have settled the years through 2004. The current indirect cost recovery rates, which are fixed, include the impact of prior year settlements. The DCAA issued an audit report on the completed audit of direct and indirect costs for the year ended December 31, 2005 on October 4, 2006. The DCAA audit report included compliance findings which the Institution believes will not materially affect its financial position. The 2005 costs remain subject to audit. Any adjustments will be recorded in the years they become known.

**Schedule of Expenditures of
Federal Awards**

Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Research and Development Direct Awards Cluster			
Department of the Navy	12		
Basic and Applied Scientific Research		300	\$ 51,737
<i>Basic and Applied Scientific Research</i>		300	242,231
Basic and Applied Scientific Research		300	103,966
Basic and Applied Scientific Research		300	43,564
Basic and Applied Scientific Research		300	185,707
Basic and Applied Scientific Research		300	98,509
Basic and Applied Scientific Research		300	385,682
Basic and Applied Scientific Research		300	671,240
<i>Basic and Applied Scientific Research</i>		300	51,816
Basic and Applied Scientific Research		300	29,296
Basic and Applied Scientific Research		300	187,287
Basic and Applied Scientific Research		300	3,090
Basic and Applied Scientific Research		300	178,466
Basic and Applied Scientific Research		300	743,247
Basic and Applied Scientific Research		300	5,559
Basic and Applied Scientific Research		300	18,149
Basic and Applied Scientific Research		300	73,796
<i>Basic and Applied Scientific Research</i>		300	165,662
Basic and Applied Scientific Research		300	18,103
Basic and Applied Scientific Research		300	80,772
Basic and Applied Scientific Research		300	1,226
Basic and Applied Scientific Research		300	14,425
Basic and Applied Scientific Research		300	61,182
Basic and Applied Scientific Research		300	102
<i>Basic and Applied Scientific Research</i>		300	6,126
Basic and Applied Scientific Research		300	75,262
Basic and Applied Scientific Research		300	6,957
Basic and Applied Scientific Research		300	365,674
Basic and Applied Scientific Research		300	156,004
Basic and Applied Scientific Research		300	206,590
Basic and Applied Scientific Research		300	187,539
<i>Basic and Applied Scientific Research</i>		300	59,322
Basic and Applied Scientific Research		300	105,005
Basic and Applied Scientific Research		300	10,819
Basic and Applied Scientific Research		300	164,023
Basic and Applied Scientific Research		300	6,402
Basic and Applied Scientific Research		300	129,723
Basic and Applied Scientific Research		300	178,595
Basic and Applied Scientific Research		300	2,580
Basic and Applied Scientific Research		300	7,997
<i>Basic and Applied Scientific Research</i>		300	46,632
Basic and Applied Scientific Research		300	495
Basic and Applied Scientific Research		300	291
Basic and Applied Scientific Research		300	6,081
Basic and Applied Scientific Research		300	645,679
Basic and Applied Scientific Research		300	154
Basic and Applied Scientific Research		300	40,426
<i>Basic and Applied Scientific Research</i>		300	207,814

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Basic and Applied Scientific Research	12	300	\$ 129,611
Basic and Applied Scientific Research		300	68,662
Basic and Applied Scientific Research		300	88,393
Basic and Applied Scientific Research		300	132,886
Basic and Applied Scientific Research		300	122,765
Basic and Applied Scientific Research		300	193,235
Basic and Applied Scientific Research		300	29,055
Basic and Applied Scientific Research		300	27,839
Basic and Applied Scientific Research		300	124,492
Basic and Applied Scientific Research		300	21,643
Basic and Applied Scientific Research		300	48,243
DAAD190310072		DAAD190310072	71,928
DACA7201C0011		DACA7201C0011	335,670
GG1142301		GG1142301	2,199
M62306P5041		M62306P5041	(154)
MO1038600		MO1038600	29,081
N000140010048		N000140010048	(51)
N000140010256		N000140010256	34,000
N000140210050		N000140210050	78,792
N000140210472		N000140210472	37,340
N000140210510		N000140210510	49,849
N000140211037		N000140211037	25,287
N0001402C0201		N0001402C0201	509,994
N0001402C0278		N0001402C0278	672,740
N000140310273		N000140310273	56,693
N000140310545		N000140310545	105,020
N000140310767		N000140310767	24,137
N0001403M0151		N0001403M0151	1,913
N000140410090		N000140410090	44,587
N000140410109		N000140410109	154,043
N000140410146		N000140410146	41,323
N000140410157		N000140410157	47,175
N000140410250		N000140410250	38,154
N000140410625		N000140410625	238,541
N000140410651		N000140410651	246,483
N000140410720		N000140410720	663,301
N000140410773		N000140410773	6,200
N00014-05-10482		N00014-05-10482	93,152
N0001405C0058		N0001405C0058	258,628
N000149610028		N000149610028	15,272
N000149910090		N000149910090	7,902
N000149910287		N000149910287	400,544
N0002404M6630		N0002404M6630	74,176
N0002404M6639		N0002404M6639	49,220
N0017401C0001		N0017401C0001	102,819
N4175604C4186		N4175604C4186	157,888
N4175605C6430		N4175605C6430	1,007,323
N62306P1016		N62306P1016	11,632
N660105MR710		N660105MR710	36,693
N666003D2199		N666003D2199	234,762
			12,982,084

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program Research and Development	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
National Oceanic and Atmospheric Administration	11		
8850		8850	\$ 10,174
AB133F04SE0386		AB133F04SE0386	5,789
AB133F05SE5828		AB133F05SE5828	75,245
AB133R05SE3011		AB133R05SE3011	10,000
AB133R06SE1145		AB133R06SE1145	4,418
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	249,839
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	49,308
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	28,314
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	320,873
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	213
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	17,807
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	124,863
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	17,150
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	236,581
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	112,950
Climate and Atmospheric Research		431	43,161
Climate and Atmospheric Research		431	(941)
Climate and Atmospheric Research		431	75,499
DG133F04SE1001		DG133F04SE1001	3,867
DG133F05SE6217		DG133F05SE6217	11,117
DG133R05SE2364		DG133R05SE2364	4,899
EA133C05SE5157		EA133C05SE5157	16,124
EA133C05SE6441		EA133C05SE6441	451
EA133F02SE0219		EA133F02SE0219	13,904
EA133F04SE1196		EA133F04SE1196	19,709
EA133F04SE1294		EA133F04SE1294	24,327
EM2355		EM2355	4,823
EN133F04S0595		EN133F04S0595	6,015
EN133F05SE5824		EN133F05SE5824	2,648
EN133F05SU1657		EN133F05SU1657	12,853
EN133F05SU3000		EN133F05SU3000	7,974
Marine Mammal Data Program		439	15,023
MC5063		MC5063	378
NA03NMF4390440		NA03NMF4390440	62,797
NA03OAR4600115		NA03OAR4600115	190,880
NA04OAR4300168		NA04OAR4300168	105,469
NA16FD2291		NA16FD2291	(795)
NA16GP2008		NA16GP2008	101,826
NFFM5100500826		NFFM5100500826	7,267
Office of Oceanic and Atmospheric Research OAR Joint and Cooperative Institutes		432	6,480,270

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
PO	11	Unknown	\$ 1,092
Sea Grant Support		417	1,205,829
Sea Grant Support		417	33,368
Special Oceanic and Atmospheric Projects		460	27,072
Special Oceanic and Atmospheric Projects		460	43,314
Special Oceanic and Atmospheric Projects		460	24,445
Special Oceanic and Atmospheric Projects		460	34,818
Special Oceanic and Atmospheric Projects		460	93,570
Special Oceanic and Atmospheric Projects		460	18,343
Special Oceanic and Atmospheric Projects		460	25,152
Special Oceanic and Atmospheric Projects		460	81,046
Special Oceanic and Atmospheric Projects		460	47,914
Special Oceanic and Atmospheric Projects		460	150,601
Unallied Science Program		472	28,052
Unallied Science Program		472	19,238
Unallied Science Program		472	19,902
Unallied Science Program		472	62,023
Unallied Science Program		472	31,133
Unallied Science Program		472	56,192
Unallied Science Program		472	97,441
Unallied Science Program		472	46,402
Unallied Science Program		472	28,360
Unallied Science Program		472	54,621
Undersea Research		430	146,836
Undersea Research		430	1,029,847
			<u>11,879,680</u>
Department of the Interior	15		
20020900945		20020900945	406
00HQAG0001		00HQAG0001	393,984
05ERAG0029		05ERAG0029	963,689
05FLSA0120		05FLSA0120	2,960
05WRSA0295		05WRSA0295	10,000
4AKSA2627		4AKSA2627	17,721
NICHOLS MC		NICHOLS MC	8,956
US Geological Survey Research and Data Collection		808	6,308
US Geological Survey Research and Data Collection		808	65,599
			<u>1,469,623</u>
National Aeronautics and Space Administration	43		
NAG511265		NAG511265	101,695
NAG512403		NAG512403	1,693
NAG512444		NAG512444	91,263
NAG512520		NAG512520	144,627
NNG04GE95G		NNG04GE95G	24,095
NNG04GF50G		NNG04GF50G	27,362
NNG04GJ33G		NNG04GJ33G	81,932
NNG04GP34G		NNG04GP34G	109,366
NNG04GQ14H		NNG04GQ14H	22,585
NNG04GQ25G		NNG04GQ25G	55,037
NNG04GR22G		NNG04GR22G	22,335
NNG05GG30G		NNG05GG30G	89,382
NNG05GN93G		NNG05GN93G	61
NNG0L03G		NNG0L03G	210,768
			<u>982,201</u>

The accompanying notes are an integral part of this schedule.

Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005

Major Program Research and Development	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
National Science Foundation	47		
ANT0440777		ANT0440777	\$ 15,200
Biological Sciences		074	23,586
Biological Sciences		074	18,477
Biological Sciences		074	3,559
Biological Sciences		074	72,402
Biological Sciences		074	53,202
Biological Sciences		074	127,074
Biological Sciences		074	29,411
Biological Sciences		074	125,720
Biological Sciences		074	23,805
Biological Sciences		074	64,363
Biological Sciences		074	85,699
Biological Sciences		074	26,989
Mathematical and Physical Sciences		049	215,664
Computer and Information Science and Engineering		070	44,631
Computer and Information Science and Engineering		070	14,311
Computer and Information Science and Engineering		070	70,850
CTS0426811		CTS0426811	78,564
DMS0417466		DMS0417466	104,663
Education and Human Resources		076	8,641
Geosciences		050	493,004
Geosciences		050	21,778
Geosciences		050	7,988
Geosciences		050	107,438
Geosciences		050	135,773
Geosciences		050	1,669,204
Geosciences		050	16,905
Geosciences		050	53,596
Geosciences		050	4,738
Geosciences		050	67,899
Geosciences		050	25,459
Geosciences		050	19,947
Geosciences		050	153,176
Geosciences		050	10,695
Geosciences		050	32,232
Geosciences		050	51,725
Geosciences		050	118,090
Geosciences		050	121,807
Geosciences		050	54,879
Geosciences		050	193,955
Geosciences		050	21,690
Geosciences		050	246,585
Geosciences		050	174,499
Geosciences		050	2,133
Geosciences		050	92,855
Geosciences		050	19,315
Geosciences		050	336,723
Geosciences		050	26,000
Geosciences		050	2,111

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
 Schedule of Expenditures of Federal Awards
 December 31, 2005**

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Geosciences	47	050	\$ 680
Geosciences		050	14,905
Geosciences		050	1,731,689
Geosciences		050	2,354
Geosciences		050	58,137
Geosciences		050	105,372
Geosciences		050	54,492
Geosciences		050	89,084
Geosciences		050	159,498
Geosciences		050	30,260
Geosciences		050	188,559
Geosciences		050	15,132
Geosciences		050	18,304
Geosciences		050	33,129
Geosciences		050	72,793
Geosciences		050	3,734
Geosciences		050	83,424
Geosciences		050	54,789
Geosciences		050	114,894
Geosciences		050	174,145
Geosciences		050	19,568
Geosciences		050	172,722
Geosciences		050	38,993
Geosciences		050	491,838
Geosciences		050	60,273
Geosciences		050	4,285
Geosciences		050	87,957
Geosciences		050	13,420
Geosciences		050	2,268
Geosciences		050	26,185
Geosciences		050	60,275
Geosciences		050	252,142
Geosciences		050	189
Geosciences		050	3,111
Geosciences		050	34,693
Geosciences		050	33,897
Geosciences		050	17,693
Geosciences		050	11,034
Geosciences		050	12,101
Geosciences		050	54,985
Geosciences		050	7,732
Geosciences		050	355,999
Geosciences		050	548,510
Geosciences		050	59,918
Geosciences		050	9,925
Geosciences		050	72
Geosciences		050	13,977
Geosciences		050	235,965
Geosciences		050	184,083
Geosciences		050	13,965

The accompanying notes are an integral part of this schedule.

Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Geosciences	47	050	\$ 148,272
Geosciences		050	235,602
Geosciences		050	498,999
Geosciences		050	67,231
Geosciences		050	11,864
Geosciences		050	157,111
Geosciences		050	515,276
Geosciences		050	261,585
Geosciences		050	43,559
Geosciences		050	166,507
Geosciences		050	124,946
Geosciences		050	139,282
Geosciences		050	59,629
Geosciences		050	68,877
Geosciences		050	34,061
Geosciences		050	103,110
Geosciences		050	60,854
Geosciences		050	212,704
Geosciences		050	644,513
Geosciences		050	61,653
Geosciences		050	157,507
Geosciences		050	662,614
Geosciences		050	65,375
Geosciences		050	123,557
Geosciences		050	172,107
Geosciences		050	117,126
Geosciences		050	92,485
Geosciences		050	52,935
Geosciences		050	27,980
Geosciences		050	194,269
Geosciences		050	39,299
Geosciences		050	33,322
Geosciences		050	45,201
Geosciences		050	272,454
Geosciences		050	256,998
Geosciences		050	226,914
Geosciences		050	103,468
Geosciences		050	46,908
Geosciences		050	49
Geosciences		050	23,289
Geosciences		050	474,579
Geosciences		050	87,812
Geosciences		050	4,572
Geosciences		050	52,820
Geosciences		050	57,587
Geosciences		050	32,245
Geosciences		050	44,230
Geosciences		050	1,101
Geosciences		050	14,161
Geosciences		050	48,091

The accompanying notes are an integral part of this schedule.

Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Geosciences	47	050	\$ 159
Geosciences		050	21,041
Geosciences		050	24,008
Geosciences		050	115,386
Geosciences		050	3,281
Geosciences		050	161,596
Geosciences		050	35,266
Geosciences		050	65
Geosciences		050	22,649
Geosciences		050	90,916
Geosciences		050	162,302
Geosciences		050	574
Geosciences		050	157,543
Geosciences		050	58,555
Geosciences		050	92,635
Geosciences		050	124,979
Geosciences		050	206,300
Geosciences		050	229,622
Geosciences		050	35,791
Geosciences		050	134,167
Geosciences		050	28,067
Geosciences		050	122,306
Geosciences		050	128,788
Geosciences		050	2,476
Geosciences		050	305,761
Geosciences		050	31,006
Geosciences		050	32,817
Geosciences		050	384,123
Geosciences		050	47,934
Geosciences		050	60,550
Geosciences		050	443,712
Geosciences		050	604
Geosciences		050	334,426
Geosciences		050	233,605
Geosciences		050	124,080
Geosciences		050	83,905
Geosciences		050	713,566
Geosciences		050	1,340
Geosciences		050	28,218
Geosciences		050	18,220
Geosciences		050	112,753
Geosciences		050	3,006
Geosciences		050	6,601
Geosciences		050	40,740
Geosciences		050	30,345
Geosciences		050	17,902
Geosciences		050	208,362
Geosciences		050	135,853
Geosciences		050	64,617
Geosciences		050	1,237,190

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Geosciences	47	050	\$ 166,336
Geosciences		050	411,205
Geosciences		050	(35,396)
Geosciences		050	4,367
Geosciences		050	12,316
Geosciences		050	21,563
Geosciences		050	46,290
Geosciences		050	9,343
Geosciences		050	438
Geosciences		050	189,494
Geosciences		050	50,178
Geosciences		050	93,570
Geosciences		050	737
Geosciences		050	277,983
Geosciences		050	111,136
Geosciences		050	15,793
Geosciences		050	40,967
Geosciences		050	159,610
Geosciences		050	198,213
Geosciences		050	1,426,780
Geosciences		050	88,320
Geosciences		050	73,877
Geosciences		050	203,612
Geosciences		050	78,423
Geosciences		050	19,589
Geosciences		050	101,233
Geosciences		050	36,133
Geosciences		050	246,393
Geosciences		050	53,282
Geosciences		050	701,921
Geosciences		050	668,908
Geosciences		050	116,995
Geosciences		050	17,463
Geosciences		050	91,078
Geosciences		050	193,208
Geosciences		050	129,340
Geosciences		050	2,825
Geosciences		050	30,125
Geosciences		050	1,956
Geosciences		050	52,284
Geosciences		050	16,555
Geosciences		050	18,255
Geosciences		050	56,579
Geosciences		050	4,306
Geosciences		050	53,781
Geosciences		050	86,515
Geosciences		050	220,685
Geosciences		050	17,218
Geosciences		050	211,361
Geosciences		050	45,399

The accompanying notes are an integral part of this schedule.

Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Geosciences	47	050	\$ 33,869
Geosciences		050	43,185
Geosciences		050	339,286
Geosciences		050	386,651
Geosciences		050	75,913
Geosciences		050	189,457
Geosciences		050	81,334
Geosciences		050	36,937
Geosciences		050	48,035
Geosciences		050	100,792
Geosciences		050	62,173
Geosciences		050	6,680
Geosciences		050	169,371
Geosciences		050	95,258
Geosciences		050	34,874
Geosciences		050	69,271
Geosciences		050	198,507
Geosciences		050	84,656
Geosciences		050	9,505
Geosciences		050	49,557
Geosciences		050	139,695
Geosciences		050	21,670
Geosciences		050	15,060
Geosciences		050	3,310
Geosciences		050	104,326
Geosciences		050	66,638
Geosciences		050	60,210
Geosciences		050	34,228
Geosciences		050	123,810
Geosciences		050	1,398
Geosciences		050	9,449
Geosciences		050	8,580
Geosciences		050	150,894
Geosciences		050	70,636
Geosciences		050	23,149
Geosciences		050	306,203
Geosciences		050	16,093
Geosciences		050	48,444
Geosciences		050	31,667
Geosciences		050	5,341
Geosciences		050	2,201
Geosciences		050	609,598
Geosciences		050	71,713
Geosciences		050	33,381
Geosciences		050	317,817
Geosciences		050	82,343
Geosciences		050	342,895
Geosciences		050	16,727
International Science and Engineering OISE		079	23,130
Mathematical and Physical Sciences		049	38,596

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
 Schedule of Expenditures of Federal Awards
 December 31, 2005**

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Geosciences	47	050	\$ 47,839
OCE0099109		OCE0099109	14,275
Geosciences		050	31,759
OCE0217075		OCE0217075	69,786
OCE0220892		OCE0220892	42,292
OCE0221386		OCE0221386	9,548
OCE0228996		OCE0228996	1,855,140
Geosciences		050	59,714
OCE0324837		OCE0324837	63,009
OCE0326814		OCE0326814	47,330
OCE0327256		OCE0327256	65,251
GeoSciences		050	266,877
OCE0335589		OCE0335589	15,916
OCE0349444		OCE0349444	(1,369)
Geosciences		050	29,766
Geosciences		050	73,035
Geosciences		050	556,214
OCE0504136		OCE0504136	5,358,458
OCE0504138		OCE0504138	2,417,637
GeoSciences		050	4,453,868
OCE0524927		OCE0524927	30,595
OCE9810607		OCE9810607	3,163
OCE9818266		OCE9818266	4,675
Geosciences		050	2,706
OCE9988088		OCE9988088	20,925
Polar Programs		078	4,364,239
Polar Programs		078	9,068
Polar Programs		078	26,371
Polar Programs		078	82,045
Polar Programs		078	828
Polar Programs		078	20,919
Polar Programs		078	16,044
Polar Programs		078	184
Polar Programs		078	863,278
Polar Programs		078	111,761
Polar Programs		078	14,385
Polar Programs		078	35,610
Polar Programs		078	100,568
Polar Programs		078	111,069
Polar Programs		078	532,771
Polar Programs		078	37,227
Polar Programs		078	158,625
Polar Programs		078	123,423
Polar Programs		078	72,009
Polar Programs		078	62,995
Polar Programs		078	219,165
Polar Programs		078	1,486
Polar Programs		078	38,270
Polar Programs		078	9
Polar Programs		078	162,901

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program	Federal CFDA Number	Federal CFDA Extension	2005 Expenditures
Research and Development			
Polar Programs	47	078	\$ 9,878
Polar Programs		078	19,531
Polar Programs		078	13,675
Polar Programs		078	191,287
Polar Programs		078	38,590
Polar Programs		078	165,209
Polar Programs		078	25,713
Polar Programs		078	120,165
Polar Programs		078	163,859
Polar Programs		078	36,272
OCE0424536		Unknown	<u>945,728</u>
			61,295,178
Environmental Protection Agency			
R82908901	66	R82908901	147,937
R829804010		R829804010	18,845
R83039301		R83039301	3,984
R83041501		R83041501	<u>107,109</u>
			277,875
Miscellaneous			
DEFC2605NT42665	81	089	4,523
DEFG0203ER63659		DEFG0203ER63659	72,735
DEFG0297ER14746		DEFG0297ER14746	153,296
DEFGO200ER15058		DEFGO200ER15058	44,278
DEFGO200ER62999		DEFGO200ER62999	119,774
Organic Chemistry		ORGANIC CHEMISTRY	<u>126,459</u>
			521,065
Department of Health and Human Services			
2R01 ESO627206	93	2R01 ESO627206	487,977
Resource and Manpower Development in the Environmental Health Sciences		894	540,934
Resource and Manpower Development in the Environmental Health Sciences		894	45,685
Resource and Manpower Development in the Environmental Health Sciences		894	<u>44,956</u>
			1,119,552
Total Direct Awards			<u><u>90,527,258</u></u>

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program Research and Development	Federal CFDA Number	Pass-through Identification Number/ CFDA Extension	2005 Expenditures
Research and Development Passed Through from Other Organizations			
National Oceanic and Atmospheric Administration	11		
Bigelow Laboratory 002983		002983	\$ 194
Caribbean Marine Research Center CMRC03NRAA104A		430	4,608
Columbia University GG1038903		432	2,097
Cornell University 448387256		472	20,766
Cornell University CORNELL 642245		CORNELL 642245	44,747
Florida State University FSU R00344		472	146,677
Information Manufacturing Corporation IMC05NOAA004		IMC05NOAA004	7,535
Institute for Exploration PO 11449		PO 11449	4,396
International Wildlife Commission OE1142200		OE1142200	19,838
Jardon & Howard Technologies JHT04P1226		JHT04P1226	38,256
Jardon & Howard Technologies JHT04P1386		JHT04P1386	1,832
Marine Biological Laboratory SC26449		430	12,064
Massachusetts Institute of Technology 5710001684		417	46,889
Massachusetts Institute of Technology 5710001756		417	13,000
Monterey Bay Aquarium Research Institute PO 0510322		PO 0510322	2,352
Mooring Systems Inc. PO 003095		PO 003095	155
National Fish and Wildlife Foundation 2003017034		463	53,577
National Marine Sanctuary Foundation NMFS CT SCAN		NMFS CT SCAN	810
New England Aquarium PO 45138		PO 45138	1,000
Rutgers SC 1120		SC 1120	92,862
Science Applications International Corporation 4400095996		460	33,007
University of California San Diego PO10204367		PO10204367	217,800
University of Pennsylvania PO31573		460	73
University Maine UM SO1960		419	90,263
University Mississippi 0305091		430	4,140
University of Alaska Fairbanks PO1151500		432	1,585
University of Alaska Fairbanks UAF 050072		417	54,479
University of Alaska UAF 040118		430	13,870
University of California San Diego PO 10204368		PO 10204368	3,616
University of California San Diego PO 10250424		PO 10250424	29,183
University of California Santa Barbara 00875105123		00875105123	1,288
University of California Santa Barbara 008751060098		008751060098	357
University of California Santa Barbara UCSB 554135		460	49,115
University of Connecticut PSA 5041		430	20,000
University of Connecticut PSA 5045		460	60,405
University of Connecticut UCONN BI112331		460	17,634
University of Hawaii 658066		658066	6
University of Maine UMS575		472	9,214
University of Mississippi SC 0509023		430	148,198
University of Mississippi SC0608016		430	36,751
University of New Hampshire 04826		460	(4,247)
University of New Hampshire CHECK 00182920		00182920	27
University of New Hampshire SC 06066		460	11,190
University of New Hampshire SC 06067		460	13,570
University of New Hampshire UNH 02562		472	3
University of New Hampshire UNH 03674		472	91
University of New Hampshire UNH 03675		472	(514)
University of New Hampshire UNH 03693		472	(294)

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program Research and Development	Federal CFDA Number	Pass-through Identification Number/ CFDA Extension	2005 Expenditures
University of New Hampshire UNH 03694	11	472	\$ 2,778
University of New Hampshire UNH 03738		473	9,322
University of New Hampshire UNH 03788		472	32,995
University of New Hampshire UNH 04801		419	51,130
University of New Hampshire UNH 04802		UNH 04802	134,800
University of New Hampshire UNH 04814		473	91,060
University of New Hampshire UNH 04857		472	72,743
University of New Hampshire UNH 05909		473	53,665
University of New Hampshire UNH 05914		472	35,686
University of New Hampshire UNH 05929		460	104,005
University of New Hampshire UNH 06016		UNH 06016	11,033
University of New Hampshire UNH 06017		460	1,416
University of New Hampshire UNH PZ06052		473	4,748
University of Washington PO 175954		PO 175954	6,620
			<hr/> 1,936,466
Department of the Navy	12		
Analysis, Design and Diagnostics Inc. PO 50003		PO 50003	20,969
Applied Physical Sciences Corporation APS-STTR-04-01		APS-STTR-04-01	32,765
Benthos PO 14050209		PO 14050209	26,254
Boston College 0000006671		0000006671	5,329
Florida Atlantic University PO 602241		300	52,668
Florida Atlantic University WRE27		300	3,257
Florida State University 7000007629		7000007629	8,631
Gulf of Maine Ocean Observing System 2002-003		2002-003	20,087
Hydroid Inc. PO 5144		PO 5144	10,836
Institute for Exploration IFE 8720		IFE 8720	24,505
Lamont Doherty Earth Observatory (Columbia) N00014-02-10972		N00014-02-10972	3,348
Lockheed Martin PO HG583221		PO HG583221	70,515
Massachusetts Institute of Technology 5710001556		5710001556	34,587
Massachusetts Institute of Technology 5710001649		5710001649	125,882
Massachusetts Institute of Technology MIT 5710001421		MIT 5710001421	13,424
Northrup Grumman 8200059738		300	52,702
Northrup Grumman 8200079436		8200079436	47,553
Northrup Grumman Inc. 8200083424		8200083424	15,875
Oasis OASIS05SC02		OASIS05SC02	16,858
Ohio State University RF00979020		RF00979020	291
Ohio State University RF01001685		RF01001685	(1,002)
Pennsylvania State University SC0509		300	234,548
Perot Systems Government Services PO 004722		PO 004722	4,911
Princeton University SC 00000913		300	191,033
Science Applications International Corporation 4400105826		4400105826	754,140
Science Applications International Corporation SAIC 440000		SAIC 440000	769,228
Science Applications International Corporation SAIC 4600006307		SAIC 4600006307	313,866
Smithsonian Institution 05SUBC440051150		05SUBC440051150	20,227
Sontek/YSI Inc PO 19275		PO 19275	10,547
Southeastern Universities Research Association SURA2005212		300	49,658
University of California San Diego PO 10142701		300	183,853
University of California San Diego UCSD 10218021		300	2,744
University of Delaware WHOI OE1032600		OE1032600	(1,970)
University of Idaho P0013981		300	10,554

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program	Federal CFDA Number	Pass-through Identification Number/CFDA Extension	2005 Expenditures
Research and Development			
University of Idaho PO 12851	12	300	\$ 5,242
University of Maine PO 00002258		PO 00002258	6,352
University of Maine UMAINE U264874		UMAINE U264874	4,822
University of Miami MIAMI 667709		MIAMI 667709	7,312
University of Rhode Island 03250535495		03250535495	94,667
University of Rhode Island 061602535495		300	9,514
University of Rhode Island URI00005615		URI00005615	5,037
University of Southern Florida 2500022600A		2500022600A	31,402
University of Southern Florida 2500107500A		2500107500A	30,026
University of Southern Florida 7000008119		7000008119	5,892
University of Washington PO 90531		PO 90531	319
University of Washington PO577489		PO577489	8,965
University of Washington UW 885725		UW 885725	1,439
University of Wyoming DODONR44501SUB		DODONR44501SUB	77,469
USF 2500165LOA		USF 2500165LOA	(1,587)
Webb Research OE1151200		OE1151200	9,879
University of New Hampshire PO 05021		300	45,606
Marine Biological Laboratory MBL 27344		MBL 27344	6,064
Marine Biological Laboratory MBL 24774		MBL 24774	27,435
			<hr/>
			3,504,528
Department of the Interior	15		
University of South California GG1134401		807	19,288
University Alaska UAF 030109		UAF 030109	76,968
Texas A&M University 14350102CA85186		14350102CA85186	98,340
Battelle SC 186138		SC 186138	33,567
			<hr/>
			228,163
National Aeronautics and Space Administration	43		
Jet Propulsion Laboratory JPL 1216957		JPL 1216957	70,006
Jet Propulsion Laboratory JPL 1216955		JPL 1216955	105,980
Jet Propulsion Laboratory JPL 1229833		JPL 1229833	10,130
Jet Propulsion Laboratory JPL 1229872		JPL 1229872	23,576
Jet Propulsion Laboratory JPL 961425		JPL 961425	125,328
Marine Biological Laboratory MBL 21175		MBL 21175	80,398
University of Maryland Z601701		Z601701	215,447
University of Rhode Island 09100535842		002	202,132
University South Carolina SC 051031		SC 05-1031	57,177
			<hr/>
			890,174
National Science Foundation	47		
Columbia University PO XA24U5		PO XA24U5	(8)
Joint Oceanographic Institution TO T312A26		TO T312A26	24,211
SUB 2003 1		SUB 2003 1	18,414
Joint Oceanographic Institution JSG CY 1 02		JSG CY 1 02	16,632
University of California Irvine PO 660188		PO 660188	2,267
Villanova University PO TP0510227		PO TP0510227	220
Brown University CHECK 750270		CHECK 750270	3,919
Joint Oceanographic Institution PO T304A26		PO T304A26	36,736
Joint Oceanographic Institution PO T305A26		PO T305A26	33,546
Northeastern University SC 400016		SC 400016	166,911
University of Rhode Island SC0 72604 0000312		SC0 72604 0000312	49,858
University of California Santa Barbara PO 007478 60321		PO 007478 60321	507
Incorporated Research Institutions for Seismology SUB 326		SUB 326	9,693

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program Research and Development	Federal CFDA Number	Pass-through Identification Number/ CFDA Extension	2005 Expenditures
University of Alaska PO FP600397	47	PO FP600397	\$ 772
Joint Oceanographic Institution SUBAWARD 4 05		SUBAWARD 4 05	31,314
University of California San Diego PO 10244449		PO 10244449	968
Stony Brook University PO R330459		PO R330459	6,642
Columbia University		Agreement	57
University of Alaska SUBAWARD 04 0099		SUBAWARD 04 0099	320,045
Williams College PO A 00524		PO A 00524	5,471
William and Mary College PO ETS50531		PO ETS50531	31
University of Minnesota PO524F2790620		PO524F2790620	1,640
University of Louisville SUB 04 0621		SUB 04 0621	25,181
Duke University		NONE	3,688
Columbia University PO XA3LTJ		PO XA3LTJ	221
Texas A&M University TX AM F000773		TX AM F000773	47
Princeton University SC 000777		SC 000777	49,733
Columbia University SUBAWARD 3		SUBAWARD 3	142,649
University of Southern Maine PO P100823		PO P100823	585
Oregon State University SUBGRANT S0842A		SUBGRANT S0842A	(79,231)
Raytheon Technical Services Company RM70866 001		RM70866 001	(27)
Women's International Science Collaboration Program WISC TRAVEL GRANT		WISC TRAVEL GRANT	834
University of Washington PO 131114		PO 131114	112
University of Miami PO 0241438		PO 0241438	536
University of Hawaii PO Z741199		PO Z741199	193
University of California San Diego PO 10251213		PO 10251213	1,825
University of Alaska PO FP601243		PO FP601243	2,374
Virginia Institute of Marine Science SC 519205 1248		SC 519205 1248	2,350
University of California San Diego PO 10211481		PO 10211481	50,140
University of Iowa PO 4000531515		PO 4000531515	12,731
Massachusetts Institute of Technology AGR 5710001516		AGR 5710001516	2,059
Texas A&M University TASK F001519 F001577		TASK F001519 F001577	1,809
Texas A&M University TSK F001567 F001632		TSK F001567 F001632	58
Texas A&M University TSK F001621 F001755		TSK F001621 F001755	-
Columbia University Agreement		Agreement	498
Old Dominion University PO RF 051653		PO RF 051653	4,750
Texas A&M University TX AM F001723 F001761		TX AM F001723 F001761	7
Texas A&M University TX AM F001724		TX AM F001724	7,488
Texas A&M University TSK F001770 F001821		TSK F001770 F001821	5,899
Texas A&M University TX AM F001779 F001820		TX AM F001779 F001820	3,745
Texas A&M University TSK F001822 F001877		TSK F001822 F001877	7,696
Texas A&M University TSK F001827 F001873		TSK F001827 F001873	9,725
Texas A&M University TASK F001855		TASK F001855	6,196
University of California Berkley AGR SA2013JB		AGR SA2013JB	21,368
Rutgers University SC1898 SUB 2023		SUB 2023	3,427
University of Hawaii PO Z712030		PO Z712030	26,952
Monterey Bay Aquarium Research Institute PO 0312116 0411647		PO 0312116 0411647	394,830
Old Dominion University PO RF 052180		PO RF 052180	1,900
Joint Oceanographic Institution JSG CY191		JSG CY191	668
University of California San Diego PO 10242279		PO 10242279	85,687
Monterey Bay Aquarium Research Institute PO 0512345		PO 0512345	49,063
Pennsylvania State University PO 272483		PO 272483	346
Old Dominion University PO RF 052587		PO RF 052587	324
University of Colorado PO 0000292591		PO 0000292591	240

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program Research and Development	Federal CFDA Number	Pass-through Identification Number/ CFDA Extension	2005 Expenditures
Old Dominion University PO RF052595	47	PO RF052595	\$ 5,700
Raytheon Technical Services Company PO 4500222710		PO 4500222710	3,562
University of Washington PO 122748		PO 122748	143
College of William and Mary PR662901		PR662901	119
University of California San Diego PO 10242922		PO 10242922	8,433
University of Rhode Island SUB 081605 532930		SUB 081605 532930	7,830
Massachusetts Institute of Technology PO 5510033019		PO 5510033019	981
University of Hawaii AGREEMENT KK3107		AGREEMENT KK3107	17,543
Columbia University SUBCONTRACT NO. 1		SUBCONTRACT NO. 1	25,497
Columbia University PO 543237		PO 543237	25
Columbia University PO 553242		PO 553242	4,068
Duke University PO 4520423422		PO 4520423422	783
University of Washington PO 913507		PO 913507	652
University of Washington PO 113523		PO 113523	309
University of Hawaii PO Z723545		PO Z723545	13,041
University of Minnesota PO 441F2743622		PO 441F2743622	850
University of California San Diego PO 10243683		PO 10243683	141,830
Rensselaer Polytechnic Institute PO P0053820		PO P0053820	1,902
Rensselaer Polytechnic Institute PO P0053909		PO P0053909	1,284
Harvard University SUBAGREEMENT		SUBAGREEMENT	89,728
Northeastern University PO 304404		PO 304404	45,518
University of Hawaii PO Z699379		PO Z699379	111,323
Joint Oceanographic Institution JOI 5 02		JOI 5 02	22,974
Columbia University PO 544534		PO 544534	90,070
Massachusetts Institute of Tehnology PO 5700004669		PO 5700004669	12,460
University of Miami PO AA14758		PO AA14758	3,110
Harris Acoustic Products Corp PO 4860 006		PO 4860 006	11,910
University of New Hampshire PO P5UZX013		PO P5UZX013	460
Hamilton College SC 905051		SC 905051	21,247
Monterey Bay Aquarium Research Institute PO 0510400		PO 0510400	1,559
University of California Santa Barbara SC K5116		SC K5116	30,811
Marine Biological Laboratory SUBAWARD 26035		SUBAWARD 26035	18,293
University of Hawaii AGREEMENT Z745414		AGREEMENT Z745414	89,132
New England Aquarium SUBCONTRACT		SUBCONTRACT	75,464
Marine Biological Laboratory PO 0281000 5500		PO 0281000 5500	5
University of Rhode Island PO 0082900 0000006182		PO 0082900 0000006182	10,604
Kent State University MC PAYMENT		MC PAYMENT	(75)
Oregon State University PO S0663A		PO S0663A	703
University of Delaware PO 5793		PO 5793	1,112
University of Washington PO 155902		PO 155902	67
University of Alaska PO FP505958		PO FP505958	3,184
California State University PO 45793		PO 45793	5,609
University of Alaska PO FP506906		PO FP506906	750
Smithsonian Institution 03 SUBC 440 0000006204		03 SUBC 440 0000006204	871
Cornell University AGRMNT 39190 6561		AGRMNT 39190 6561	31,261
Rutgers University PO S596662		PO S596662	345
University of Miami SUBAWARD 667470		SUBAWARD 667470	12,686
University of Washington PO 107233		PO 107233	25
Rutgers University PO 567264		PO 567264	561
University of Rhode Island PO 0000007462		PO 0000007462	6,487
University of Hawaii AGREEMENT		AGREEMENT	20,234

The accompanying notes are an integral part of this schedule.

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2005**

Major Program Research and Development	Federal CFDA Number	Pass-through Identification Number/ CFDA Extension	2005 Expenditures
University of South Florida PO 7565	47	PO 7565	\$ 955
University of Montana SC PG5676 02		SC PG5676 02	312
Rutgers University PO 567679		PO 567679	492
Cornell University SUBAWARD 47400 7813		SUBAWARD 47400 7813	3,995
University of California San Diego PO 10247958		PO 10247958	152
American Museum of Natural History PO 38017		PO 38017	4,040
University of Washington SUB 938087		SUB 938087	72,424
Columbia University SUB 539517		SUB 539517	19,679
University of South Florida PO 7000008120		PO 7000008120	2,509
University of Hawaii PO Z728392		PO Z728392	46
University of Massachusetts PO 001088855		PO 001088855	2,035
University of Minnesota PO 524F2689025		PO 524F2689025	44
Bermuda Biological Station for Research Inc. PO 39108		PO 39108	4,484
University of Georgia PO 0199215		PO 0199215	1,150
University of California Santa Barbara SUB KK2115		SUB KK2115	137,002
Rensselaer Polytechnic Institute PO P0049274		PO P0049274	1,311
Bermuda Biological Station for Research Inc. AGREEMENT		AGREEMENT	56,806
Rutgers University PO 569621		PO 569621	8,502
University of Minnesota PO 524F2869812		PO 524F2869812	244
			<hr/> 2,847,744
Environmental Protection Agency	66		
Louisiana State University LSU 9401251XX		LSU 9401251XX	44,137
NSF International 0306394 W1		0306394 W1	202,456
Rutgers University SC1898		463	46,454
Yale University PO 350317		PO 350317	1,239
			<hr/> 294,286
Department of Health and Human Services	93		
Boston University GC18197INGA		GC18197INGA	57,105
Boston University Medical Center BU MEMORANDUM		113	188,665
Boston University PO MC201270DJW		113	58,075
Massachusetts Eye and Ear Infirmary F246658		F246658	350
MUSC Medical University of South Carolina CH1096600		113	40,951
			<hr/> 345,146
Miscellaneous			
Sandia National Laboratories PO 443995	81	PO 443995	33,780
University of California Santa Barbara UCSB KK4126		049	28,944
International Pacific Halibut Commission PO 8085	99	PO 8085	9
University of California San Diego PO 10243594		PO 10243594	42
			<hr/> 62,775
Total Pass Through Awards			<hr/> 10,109,282
Total R&D Cluster			<hr/> 100,636,540
Total Expenditures of Federal Awards			<hr/> \$ 100,636,540

The accompanying notes are an integral part of this schedule.

Woods Hole Oceanographic Institution
Notes to Schedule of Expenditures of Federal Awards
December 31, 2005

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared using the accrual basis of accounting and in accordance with *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The purpose of the Schedule is to present a summary of those activities of the Institution for the year ended December 31, 2005 which have been financed by the U.S. Government (federal awards). For purposes of the Schedule, federal awards include all federal assistance entered into directly between the federal government and the Institution and federal funds awarded to the Institution by a prime recipient. Because the Schedule presents only a selected portion of the activities of the Institution, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institution. Pass-through identification numbers are presented where available.

2. Subrecipients

The Institution passed through federal awards to subgrantee organizations in the R&D Cluster. Expenditures incurred by the subgrantees and reimbursed by the Institution are presented in the Schedule of Federal Awards. Amounts for the year ended December 31, 2005 are:

Federal Agency	CFDA #	Amount
National Science Foundation	47	\$ 2,504,254
Department of Defense		
United States Navy	12	680,049
United States Army	12	3,728
Department of Commerce		
National Oceanic and Atmospheric Administration	11	1,436,467
Department of Energy	81	85,890
National Aeronautics and Space Administration	43	127,657
Department of Health and Human Services		
National Institutes of Health	93	266,812
Environmental Protection Agency	66	110,745
		<u>\$ 5,215,602</u>

3. Fringe Benefits and Indirect Costs

The Institution recovers fringe benefits and indirect costs associated with federal award programs pursuant to fixed rates with carryforward provisions negotiated annually with the Office of Naval Research (ONR). The 2005 fixed rates were based on budgeted information for the year ended 2004. The base and pool balances for the actual 2005 rates are contained in the 2005 DCAA report number 2171-2005N10110001, Report 6 in this A-133 report.

The Defense Contract Audit Agency (DCAA) is responsible for auditing both direct and indirect charges to grants and contracts on behalf of ONR. The Institution and ONR have settled the years through 2004. The 2005 indirect cost recovery rates include the impact of prior year settlements.

**Part II - Reports on Internal
Control and Compliance and Other Matters**

**Report of Independent Auditors on Internal Control
over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed
in Accordance with *Government Auditing Standards***

To The Board of Trustees of
Woods Hole Oceanographic Institution

We have audited the financial statements of Woods Hole Oceanographic Institution (the "Institution") as of and for the year ended December 31, 2005, and have issued our report thereon dated April 24, 2006, except for Note 13 for which the date is October 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Institution's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institution's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Institution in a separate letter dated March 30, 2006.

This report is intended solely for the information and use of the Institution's audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

April 24, 2006, except
for Note 13 of the financial statements, for which
the date is October 4, 2006

Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To The Board of Trustees of
Woods Hole Oceanographic Institution

In connection with the coordinated audit of Woods Hole Oceanographic Institution (the "Institution") as provided for in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the U.S. Defense Contract Audit Agency ("DCAA") and PricewaterhouseCoopers LLP each performed specific audit requirements and provided the respective audit reports. Responsibilities under the coordinated audit approach were assigned as follows:

1. The DCAA conducted the audit of the Institution's compliance with the requirements described in the U.S. OMB Circular Compliance Supplement that are applicable to its major federal research and development program, with the exception of the awards received from National Science Foundation ("NSF"). In addition, the DCAA tested the internal control structure with respect to the compliance requirements as they relate to these awards, except awards received from NSF, under the Institution's major research and development program. Additionally, the DCAA tested the Institution's indirect cost rates, which includes testing of the Institution's service centers for all awards, including NSF. The DCAA's reports on compliance and internal controls are included in the package as Report 6.
2. PricewaterhouseCoopers LLP conducted the audit of the Institution's compliance with all of the requirements described in the U.S. OMB Circular Compliance Supplement that are applicable to its major federal research and development program for NSF awards, except the compliance requirement, allowable costs/cost principles as it relates to indirect cost rates. In addition, PricewaterhouseCoopers LLP tested the internal control structure with respect to compliance requirements as they relate to NSF awards, except those related to indirect cost rates, under the Institution's major research and development program.

Compliance

As part of the aforementioned coordinated audit, we have audited the compliance of the Institution with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to NSF awards included in the Institution's major federal program for the year ended December 31, 2005. The Institution's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs (Report 4). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Institution's management. Our responsibility is to express an opinion on the Institution's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Institution's compliance with those requirements.

In our opinion, the Institution complied, in all material respects, with the requirements referred to above that are applicable to NSF awards included in its major federal program for the year ended December 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 05-1 (Report 4).

Internal Control over Compliance

The management of the Institution is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institution's internal control over compliance with requirements for NSF awards that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters for NSF awards involving the internal control structure over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Institution's audit committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Rebecca L. Snelgrove LP

October 6, 2006

**Part III - Audit Findings and Questioned
Costs Including Management's Views
and Corrective Action Plan**

I. Summary of Auditors' Result*

Financial statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

Material weakness(es) identified? ___ yes x no

Reportable condition(s) identified that are not considered to be material weaknesses? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

*Federal Awards relating to NSF**

Internal control over major programs

Material weakness(es) identified? ___ yes x no

Reportable condition(s) identified that are not considered to be material weaknesses? ___ yes x none reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? x yes ___ no

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
--------------------	---

Various	Research and Development
---------	--------------------------

Dollar threshold used to distinguish between Type A and Type B programs	\$ 3,019,096
---	--------------

Auditee qualified as low-risk auditee x yes ___ no

*This is a summary of PWC audit results and, accordingly, it does not indicate findings related to DCAA work. For a summary of DCAA audit results, refer to page 64 of Appendix 1 of DCAA report 2171-2005N10110001.

**Woods Hole Oceanographic Institution
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2005**

II. Financial Statement Findings

None

III. Current Year Findings and Questioned Costs for Federal Awards

05-1 Performance Reporting

In accordance with the National Science Foundation, General Grant and Conditions, unless otherwise specified in the award, annual project reports shall be submitted to the cognizant NSF Program Officer at least three months prior to the end of the current period. In a sample of thirty NSF awards, we found fifteen awards which were not submitted by the required deadline as follows:

CFDA Number	Name of Award	Year
47.050	OBSIP	2005
47.050	Broadband Obs/Burial Syst. Rcp	2001
47.050	Alvin/ROV Ops 2005	2005
47.050	Components/LARVL Transport Rcp.	2000
47.049	Molecular isotopic tools recap	2000
47.050	Surfzone turbulence and bubbles Rcp	2002
47.050	Plankton recorder survey recap	2001
47.050	JGOFS/SMP recap	2001
47.050	PCDS	2003
47.050	Carbonate sediments recap	2001
47.050	Wims recap	1999
47.050	Laser induced breakdown	2004
47.050	LAU Basin	2004
47.050	Subtropical north atlantic	2004
47.050	Numerical study cope pods	2004

Cause and Effect

The late reports are caused by a lack of a formal monitoring process and the effect is late reports. Management implemented a new performance reporting policy in August 2005. Eight of the exceptions occurred prior to the implementation of this policy.

Recommendation

As indicated in the finding above, management implemented new internal controls surrounding performance reporting during fiscal year 2005. Management should continue to monitor the due dates for submitting reports, and principal investigators should be reminded as due dates approach. Management should also continue to make changes in its internal controls policy as needed.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.



Laurie Murphy
Assistant Controller

Woods Hole Oceanographic Institution

Challenger House, MS #14
Woods Hole, Massachusetts 02543

05-1 Performance Reporting

Management Response

The Institution continues to monitor the due dates for submitting performance reports. As noted above, the Institution implemented new procedures for performance reporting in CY2005. In CY2006 the procedures were enhanced to more efficiently control timely submission. In August of CY2006, the following procedure was adopted:

- On a monthly basis the Senior Grants Administrator of Grant and Contract Services develops a listing of NSF projects requiring an annual report one month in advance of the submission date. The list of projects is sent to each department for distribution to individual PI's.
- Once received by the department, the Department Administrator and/or designee will notify each PI of the required report and required date of submission.
- Shortly after the required submission date, the Senior Grants Administrator reviews the NSF FastLane system to determine if the reports have been submitted. For each report not completed, the department is again notified and the PI is required to provide an explanation to the Director of Research of the Institution as to why the report could not be completed, and also provide an anticipated completion date. Such documentation is now required for audit purposes. Failure to submit timely reports may have an impact in other areas such as annual performance reviews.
- This procedure was communicated to each department by the Director of Research on August 7, 2006. In addition, the Senior Grants Administrator and the Controller met with each department to review performance reporting requirements, and in addition, notified each department of any backlog of delinquent reports.

Contact Person:

Laurie Murphy



WOODS HOLE OCEANOGRAPHIC INSTITUTION

Prior year finding:

04-1 Performance Reporting

PricewaterhouseCoopers LLP found that in a sample of fifteen NSF awards tested, seven awards were not submitted by the required deadline specified by the National Science Foundation General Grants and Conditions.

During 2005 the Institution corresponded directly with NSF in an effort to ensure the timeliness of submission of performance reports. Also during 2005 representatives of Grant and Contract Services and the Controller's Office met with the Department Administrators to review in detail the requirements of Article 15 (a), (b) and (c) of the NSF General Terms and Conditions. Reviewed were the requirements for submitting the reports three months prior to the end of the current budget period. During the presentation of the information it was discovered there had still been confusion in the Departments as to the correct submission dates for performance reports. This is now clear to the Administrators and they will pass this information to the Principal Investigators.

Each department has an Administrative Professional maintaining a data base relating to report submission. They utilize the NSF Fastlane website to verify the due dates of the performance reports. Representatives of Grant and Contract Services and the Controller's Office will monitor the Fastlane website monthly to determine that reports are timely and will follow up with the departments on any outstanding reports.

Contact Person:

Laurie Murphy

Laurie Murphy, Assistant Controller



WOODS HOLE OCEANOGRAPHIC INSTITUTION

Prior year finding:

04-2 Equipment and Property Management

PricewaterhouseCoopers LLP selected from the National Science Foundation and the National Oceanic and Atmospheric Administration property listing thirty items for testing. Of the thirty items one item could not be located by the Property Office. The item was destroyed in a fire at the Clark Laboratory and the Property Office was not notified to remove it from the property listing.

In a continuing effort to meet the requirements of the Compliance Supplement, the Property Office will continue to remind all employees of the proper procedures for disposal of equipment through the use of weekly employee notification (WHOI Headliners). The Property Administrator has provided training relating to property matters to the Administrative Professionals of each department. The Property Administrator continues to review the Property policies and procedures of the Property Office with all new employees.

Contact Person:

Laurie Murphy

Laurie Murphy, Assistant Controller

**Part IV - Audit Report No. 2171-2005N10110001,
Report on Woods Hole Oceanographic Institution's Compliance
with Requirements Applicable to its Research and Development
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133, Fiscal Year 2005 and
Audit Findings and Questioned Costs Including
Management's Views and Corrective Action Plan (DCAA)**



DEFENSE CONTRACT AUDIT AGENCY
AUDIT REPORT NO. 2171-2005N10110001



October 4, 2006

PREPARED FOR: Department of the Navy
Office of Naval Research
University Business Affairs
ATTN: Ms. Deborah Rafi, Director of Indirect Costs
875 North Randolph Street
Suite 1425
Arlington, VA 22203-1995

PREPARED BY: DCAA Boston Branch Office
495 Summer Street, Suite 336
Boston, MA 02210-2192
Telephone No. (617) 753-3777
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E-mail Address dcaa-fao2171@dcaa.mil

SUBJECT: Report on Woods Hole Oceanographic Institution's Compliance with Requirements Applicable to its Research and Development Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, Fiscal Year 2005

AUDITEE: Woods Hole Oceanographic Institution
Woods Hole, MA 02543

REPORT RELEASE RESTRICTIONS: See Page 10

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Auditee Organization and Systems	8
DCAA Personnel and Report Authorization	9
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SUBJECT OF AUDIT

We have audited Woods Hole Oceanographic Institution's (WHOI) compliance with requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that are applicable to its major federal research and development program, with the exception of the Federal awards associated with the National Science Foundation (NSF). PricewaterhouseCoopers LLP was responsible for performing specific audit procedures with respect to the compliance requirements of OMB Circular A-133 for NSF Federal awards. WHOI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs, Appendix 1, page 12.

WHOI and the Office of Naval Research (ONR) negotiated fixed indirect cost and fringe benefit rates with carry forward for FY 2005 on January 24, 2005. The negotiated fixed indirect cost and fringe benefit rates with carry forward apply to the federal awards as prepared in WHOI's "Schedule of Expenditures of Federal Awards". The Negotiation Agreement, which documents the negotiated fixed indirect cost and fringe benefit rates for FY 2005, is presented in Appendix 4, page 41 of this report.

WHOI's compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of WHOI's management. Our responsibility is to express an opinion on the WHOI's compliance based on our audit.

INTERNAL CONTROL OVER COMPLIANCE

The management of WHOI is also responsible for establishing and maintaining adequate internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. Our responsibility is to obtain an understanding of WHOI's internal control over compliance in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The complete WHOI Schedule of Expenditures of Federal Awards is included in the independent public accountant's audit report. As such, refer to the independent public accountant's report for comments regarding the adequacy of WHOI's Schedule of Expenditures of Federal Awards.

SCOPE OF AUDIT

We conducted our audit in accordance with generally accepted government auditing standards and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements listed below that could have a direct and material effect on the major federal program being audited occurred.

- Activities allowed or unallowed
- Allowable costs/cost principles
- Cash management
- Davis-Bacon Act
- Eligibility
- Equipment and real property management
- Matching, level of effort, earmarking
- Period of availability of funds
- Procurement and suspension and debarment
- Program income
- Real property acquisition and relocation assistance
- Reporting
- Subrecipient monitoring
- Special tests and provisions

An audit includes:

- evaluating the auditee's internal controls, assessing control risk, and determining the extent of audit testing needed based on the control risk assessment;
- examining, on a test basis, evidence about the auditee's compliance with those requirements and performing other procedures as the auditor considered necessary in the circumstances;
- assessing the accounting principles used and significant estimates made by the auditee; and
- evaluating the overall data and records presentation.

We evaluated WHOI's compliance with the requirements of laws, regulations, contracts and grants, the related internal controls, and the Schedule of Expenditures of Federal Awards using the applicable requirements contained in:

- Federal Acquisition Regulation (FAR),
- Defense FAR Supplement (DFARS),
- Cost Accounting Standards (modified coverage),
- NASA FAR Supplement,
- NASA Grant and Cooperative Agreement Handbook,
- DoD Grant and Agreement Regulations [DoDGARS],

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- Department of Energy FAR Supplement (DEAR),
- National Institute of Health Guide for Grants and Contracts,
- OMB Circular A-110 – Uniform Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations
- OMB Circular A-122 - Cost Principles for Nonprofit Organizations,
- OMB Circular A-133 - Audits of States, Local Government & Nonprofit Organizations, and
- OMB Circular A-133 Compliance Supplement.

In planning and performing our audit, we considered WHOI's internal control over compliance with requirements that could have a direct and material effect on a major federal program. For the purpose of expressing an opinion on compliance and to test and report on internal control over compliance, we determined our auditing procedures in accordance with OMB Circular A-133.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of WHOI's compliance with those requirements.

RESULTS OF AUDIT

COMPLIANCE:

In our opinion, WHOI complied, in all material respects, with the requirements referred to above that are applicable to the Federal awards that we were responsible for auditing under the research and development program. However, our audit disclosed instances of noncompliance with those requirements of Allowable Costs/Cost Principles and Period of Availability of Federal Funds that are applicable to the research and development program, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying Schedule of Findings and Questioned Costs, Appendix 1, page 12.

Direct Costs. We questioned \$48,477 of direct costs associated with federal government awards. Details of the questioned costs are summarized in audit findings 05-A through 05-D of Appendix 1, page 13 of this report. Direct costs not questioned are provisionally approved pending final acceptance. Final acceptance of amounts proposed under federal awards does not take place until performance under the award is completed and accepted by the cognizant authorities and the audit responsibilities have been completed.

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Indirect Costs. WHOI and the Office of Naval Research (ONR) negotiated fixed rates with a carry forward provision for FY 2005 on January 24, 2005. The negotiated fixed rates with carry forward provisions apply to the federal awards as prepared in WHOI's "Schedule of Expenditures of Federal Awards". In our audit, we verified that WHOI applied the negotiated indirect rates to the appropriate bases, and that the amounts claimed were the products of applying the indirect rates to the applicable bases. The negotiated fixed indirect rates for FYE December 31, 2005 are as follows:

<u>Indirect Category</u>	<u>FY 05 Negotiated Fixed Indirect Rates</u>	<u>Allocation Base</u>
Employee Benefits		
Regular	47.20%	a
Regular OT	14.02%	b
Casual	10.09%	c
Casual OT	10.28%	b
Laboratory Overhead	53.34%	d
General & Administrative	37.21%	e

Allocation Bases:

- (a) Total assignable salaries of regular employees (direct and indirect) excluding Graduate Research Assistants and overtime salaries (\$43,231,720).
- (b) Total assignable overtime salaries of regular employees (Regular OT \$2,369,719) (Casual OT \$33,836).
- (c) Total assignable salaries of casual employees (direct and indirect) excluding Graduate Research Assistants and overtime salaries (\$638,089).
- (d) Direct research and education salaries plus related Employee Benefits plus one half of Graduate Research Assistant salaries (\$34,887,264).
- (e) Direct salaries plus related Employee Benefits incurred for Research, Education, Ship Operations (including submersibles), Development, Housing, Oceanus Magazine and other appropriate final cost objectives (\$43,601,531).

GOVERNMENT PARTICIPATION IN ALLOCATION BASES

<u>Indirect Category</u>	<u>Government Flexibly Priced Federal Awards</u>	<u>FFP Federal Awards and Commercial Work</u>	<u>Total</u>
Employee Benefits			
Regular	85%	15%	100%
Overtime	99%	1%	100%
Casual	87%	13%	100%
Laboratory Overhead	81%	19%	100%
General & Administrative	79%	21%	100%

Audit Report No. 2171-2005N10110001

Service center and directly allocated rates: In our opinion, WHOI's service center and directly allocated rates are acceptable as adjusted by our audit. The claimed and adjusted service center and directly allocated rates for FYE December 31, 2005 are as follows:

Description	Allocation Base	Claimed Rate	Questioned Rate	Difference	Audit Finding Number	Page Number
R/V Atlantis II	a.	\$ 22,877.02		\$ 22,877.02		
R/V Knorr	a.	\$ 28,505.65		\$ 28,505.65		
R/V Oceanus	a.	\$ 12,857.33		\$ 12,857.33		
R/V Tioga	c.	\$ 1,221.77		\$ 1,221.77		
Deep Submergence Program	a.	\$ 13,789.08		\$ 13,789.08		
Marine Shore Services	k.	19.98%		19.98%		
Plant Operations & Maintenance	l.	\$ 54.84		\$ 54.84		
Shop Services	b.	\$ 43.57		\$ 43.57		
Graphic Arts	b.	\$ 68.83		\$ 68.83		
Technical Assistance	b.	\$ 51.92		\$ 51.92		
Mass Spectrometer	c.	\$ 482.36		\$ 482.36		
Paleo Mass Spectrometer	d.	\$ 15.98		\$ 15.98		
Ion Microprobe Facility:						
IMS 1270	o.	\$ 106.54		\$ 106.54		
OMS3F	o.	\$ 57.71		\$ 57.71		
ICP Facility	c.	\$ 385.78		\$ 385.78		
IGF Facility	a.	\$ 285.73		\$ 285.73		
HP Plotter	c.	\$ 84.89		\$ 84.89		
SSSG-Log and Coord	a.	\$ 1,220.96		\$ 1,220.96		
SSSG-Atlantis	a.	\$ 2,072.97		\$ 2,072.97		
SSSG-Knorr	a.	\$ 2,404.99		\$ 2,404.99		
SSSG-Oceanus	a.	\$ 1,866.98		\$ 1,866.98		
Radionuclide Analytical	c.	\$ 183.03		\$ 183.03		
Miso Camera	f.	\$ 1,003.99		\$ 1,003.99		
Micro Modem	g.	\$ 2,502.05		\$ 2,502.05		
Martha's Vinehard Coaster Observatory						
Nodes	h.	\$ 4,434.31	\$ (3,909.93)	\$ 8,344.24	05-E	21
Calibration	e.	\$ 73.69		\$ 73.69		
Nutrient Facility	d.	\$ 10.16		\$ 10.16		
Gravimeter	l.	\$ 8,000.00		\$ 8,000.00		
CT Scanner						
Scanning	e.	\$ 217.73		\$ 217.73		
Support	e.	\$ 136.86		\$ 136.86		
Specialized Instrument Capability	e.	\$ 314.00		\$ 314.00		
Small Boats:						
Mytilus	e.	\$ 59.50		\$ 59.50		
Calanus	e.	\$ 52.00		\$ 52.00		
Limulus	e.	\$ 23.00		\$ 23.00		
Research Vehicle:						
Vehicle	e.	\$ 55.15		\$ 55.15		
Mileage @ .405	i.	\$ 1.48		\$ 1.48		
Mileage @ .485	i.	\$ 1.77		\$ 1.77		

Allocation Bases

- (a) Operating Days (Atlantis II- 271 days; Knorr - 199 days; Oceanus - 250 days; Deep Submergence Program – 382 days; SSSG Atlantis – 271 days, SSSG Knorr – 199 days, SSSG Oceanus – 250 days; SSSG Log & Coord. 720 days; IGF Facility – 1,303.5 days).
- (b) Labor Hours Per Biweekly Time Cards (Shop Services – 54,662.4 hours; Technical Assistance – 41,486.25 hours; Graphic Arts – 12,564.5 hours)
- (c) Half days of use. (R/V Tioga – 263 ½ days; Mass Spectrometer - 364 1/2 days; ICP Facility - 743 1/2 days; HP Plotter - 22 1/2 days; Radionuclide Analytical – 205 1/2 days;)
- (d) Samples. (Paleo Mass Spectrometer – 8,977 samples; Nutrient Facility – 7,649.75 samples)
- (e) Hours of use. (IMS 1270 104.17 hours; OMS3F 1,254.01 hours; Scanning – 134.5 hours; Support – 440 hours; Specialized Instrument Capability – 470 hours; Small Boats – Mytilus – 250 hours; Calanus – 62 hours; Limulus – 90 hours; Research Vehicle 90.5 hours; Calibration – 2,154.5 hours)
- (f) Tows. (Miso Camera – 134.39 tows)
- (g) Modems. (Micro Modem – 53.5 modems)
- (h) Nodes. (Martha’s Vineyard Coastal Observatory nodes – 21 nodes)
- (i) Miles. (Research Vehicle Mileage –@.405 – 2,224 miles; –@.485 - 137 miles)
- (j) Marine Salaries. (\$4,498,047)
- (k) Average Weighted Square Feet. (233,903.8)
- (l) Units. (2.75)

Appendix 3, page 28, includes a Schedule of Allowable Costs by Federal Award.

INTERNAL CONTROL OVER COMPLIANCE

We noted certain matters involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the organization’s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. This reportable condition is described in the Schedule of Findings and Questioned Costs, Appendix 1, page 25 (note 05-F) of this report.

Audit Report No. 2171-2005N10110001

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to the research and development program under OMB Circular A-133 being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We believe that the cited deficiency is not so significant that the entire system is unreliable. The contractor has agreed to correct the system deficiency and provide us an acceptable corrective action plan which will alleviate the deficiency in a reasonable time.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The complete WHOI Schedule of Expenditures of Federal Awards is included in the independent public accountant's audit report. As such, refer to the independent public accountant's report for comments regarding the adequacy of WHOI's Schedule of Expenditures of Federal Awards.

AUDITOR'S COMMENTS ON SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As part of our audit, we included procedures to assess the reasonableness of WHOI's Summary Schedule of Prior Audit Findings, included as Appendix 5, page 45. Our audit disclosed that WHOI adequately presented the status of its corrective action relating to the audit finding disclosed in the FY 2004 A-133 audit.

We provided and discussed the audit results with Mr. David Stephens, Controller on September 15, 2006. WHOI's Corrective Action Plan for the Current Year, which addresses each audit finding, is included as Appendix 6, page 48.

We provided a draft copy of the Report to the David Stephens, Controller at the exit conference on September 15, 2006.

AUDITEE ORGANIZATION AND SYSTEMS

1. Organization

The Woods Hole Oceanographic Institution was established and chartered in 1930 by the Commonwealth of Massachusetts as a private, nonprofit corporation. The Institution's initial endowment of three million dollars was provided by the Rockefeller Foundation, this provided for the construction of the Institution's first building, acquisition of a research vessel and the beginning operating funds. The endowment fund as of December 31, 2005 is valued at \$305,187,206.

In FY 2005 the Institution received approximately 90 percent of its research funding from the United States Government with additional funding from private sources. The funding is used for research in a broad variety of oceanographic areas. The Institution is a premier research facility for oceanographic studies and consists of one hundred and thirty nine noted marine scientists including scientists from related disciplines. In addition, there are over two hundred and five engineers and professionals, one hundred and eighty six research assistants and laboratory technicians and one hundred professional mariners who serve aboard the Institution's research vessels. There is also a staff of three hundred and five to meet the Institution's administrative needs, laboratory maintenance, and other support functions.

The Institution is physically located on Cape Cod in Woods Hole, Massachusetts and the surrounding areas where its various laboratories occupy over two hundred and nineteen acres of land. The Institution also maintains its own facilities to operate the Governments' three research vessels, namely the Atlantis, Knorr, and Oceanus and the manned submersible, ALVIN.

Since 1986, the Institution has had a graduate degree program under which studies are conducted at the Institution, MIT and other major universities.

2. Accounting System

In our opinion, WHOI's accounting system is considered adequate for the accumulation and reporting of costs under Government cost type and fixed-price contracts and grants. WHOI's accounting system was reviewed in DCAA Audit Report No. 2171-2004N17740016, dated November 8, 2004, a copy of which was sent to your office.

WHOI maintains a job cost accounting system wherein individual awards are assigned project numbers that are used to accumulate direct costs. Indirect costs are identified with and accumulated under individual departments which, in turn, are identified to the various indirect cost pools. Indirect expenses are recorded and billed to projects using pre-determined fixed rates with carry-forward and provisional rates.

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AUDIT REPORT DISTRIBUTION AND RESTRICTIONS

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RESTRICTIONS

1. The Defense Contract Audit Agency has no objection to the auditee releasing this report at its discretion for public inspection.
2. This report is intended solely for the information and use by federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.
3. The For Official Use Only (FOUO) marking normally placed on this audit report is not a security marking. It is a marking required by DoD Freedom Of Information Act (FOIA) regulations, which provides notice that the report might contain information that is subject to withholding under FOIA. The FOUO marking is a notice limited to the Department of Defense employees. The auditee provided DCAA with written authorization to permit removal of the FOUO markings from this report.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Woods Hole Oceanographic Institution (WHOI)

Fiscal Year Ended December 31, 2005

SECTION I: -- SUMMARY OF AUDITOR'S RESULTS:

A. Financial Statements:

Information pertaining to the financial statements can be found in the independent public accountant's audit report.

B. Federal Awards:

1. Type of auditor's report issued on compliance for major programs:

Type of Audit Opinion	
Unqualified	X
Qualified	
Adverse	
Disclaimer	

2. Internal control over major programs:

	Yes	None Reported
Material weaknesses were identified.		X
Reportable conditions identified not considered to be a material weakness.	X	

3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a):

Yes	X
No	

4. Identification of Major Programs:

CFDA Number	Program
N/A	Research and Development -Cluster

5. Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

6. Auditee classified as a low-risk under Circular A-133, section .530:

Yes	X
No	

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Woods Hole Oceanographic Institution (WHOI)

Fiscal Year Ended December 31, 2005

SECTION II: -- FINDINGS RELATED TO FINANCIAL STATEMENTS:

Information pertaining to the financial statements can be found in the independent public accountant's audit report.

SECTION III: FINDINGS RELATED TO FEDERAL AWARDS:

A. DIRECT COSTS

SCHEDULE OF QUESTIONED DIRECT COSTS BY PROJECT – FY 2005

<u>Contract/ Grant No.</u>	<u>WHOI Project No.</u>	<u>Government Agency</u>	<u>Account No. & Description</u>	<u>Questioned</u>	<u>Notes</u>
N00014-00-10256	13025600	ONR Grant	5190 - Equipment	\$ 34,000	05-A
DACA72-01-C-0011	49001100	Dept. of the Army	5190 - Equipment	5,725	05-B
NA04NMF4720405	24040500	NOAA Grant	5190 - Equipment	3,775	05-B
DACA72-01C-0011	49001100	Dept. of the Army	5180 - Travel - International	2,177	05-C
N00014-03-10736	130736SP	ONR Grant	5310 - Other Outside Services	2,800	05-D

Explanatory Notes:

05-A Grant No. N00014-00-10256 - WHOI Project No. 13025600

a. Condition:

We questioned \$34,000 in equipment costs on the basis that WHOI is in noncompliance with OMB Circular A-110 (Subpart C, section .28), OMB Circular A-122 (attachment A, part 4 Allocable Costs subpart a) and compliance requirements B (Allowable Costs/Cost Principles) and H (Period of Availability of Federal Funds compliance requirement) of the OMB Circular A-133 Compliance Supplement.

On October 6, 2005, WHOI purchased \$34,000 in equipment and charged it direct to ONR Federal Award number N00014-00-10256 (WHOI account number 130256SP). We reviewed the packing slip, which indicated that WHOI received the subject equipment item on September 29, 2005. Since the period of performance for this award ended on December 31, 2004, this meant that the receipt date of this equipment was approximately nine months after this federal award ended. Based on these dates, it is clear that this equipment did not benefit the referenced Federal award. In fact, WHOI later informed us that the equipment was actually used on a non-government project.

b. Criteria:

OMB Circular A-122, attachment A, Section A, part 4 Allocable Costs, subpart a states in part "A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received." Since WHOI incurred the obligation after the funding period ended, there was obviously no benefit to this federal award. Therefore, we are questioning these costs on the basis that they are not allocable to the federal awards.

OMB Circular A-110, Subpart C, section .28 states that "Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency". Since WHOI incurred the obligation after the funding period ended and as discussed above is unallowable per OMB Circular A-122 (see above), WHOI is in noncompliance with OMB Circular A-110.

OMB Circular A-133 Compliance Supplement – Compliance Requirement B. Costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. Based on the above references, the questioned costs are not in accordance with applicable cost principles (OMB Circular A-122). This means that WHOI is in noncompliance with compliance requirement B.

OMB Circular A-133 Compliance Supplement – Compliance Requirement H. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. As shown above, the equipment was purchased well beyond the period of performance end date. As a result, WHOI is also in noncompliance with compliance requirement H.

c. Recommendation:

We recommend that WHOI adjust their billings for this Federal award by removing the questioned costs. Additionally, the contractor should implement a better approval process for ordering items that are charged direct to an award. This would help ensure that items will only be purchased for awards that they benefit and are purchased within the period of performance. We believe this approval process should be performed by someone outside the particular department to ensure that costs are properly charged to all awards.

d. Contractor's Reaction:

WHOI concurs with the adjustment of \$34,000 in equipment charged to WHOI Project No. 13025600. As the award is in a closed status repayment will be made payable to the United States Treasury sent to the attention of Eric Garfield, Contract Specialist ONR.

The Assistant Controller will communicate with Grants and Contract Services as well as the Department Administrators and Department Administrative Assistants to ensure only allowable and allocable costs are charged to projects. In addition it will be reiterated that costs must only be charged during specified funding periods. The communication will entail e-mail as well as attending department meetings.

05-B. Contract No. DACA72-01-C-0011 and Grant No. NA04NMF4720405

a. Condition:

We questioned \$9,500 in equipment costs on the basis that WHOI is in noncompliance with compliance requirement B (Allowable Costs/Cost Principles) of the OMB Circular A-133 Compliance Supplement and OMB Circular A-122.

On October 21, 2005, WHOI purchased a new Yamaha F115 Four Stroke Engine for one of its boats by the name of Balena. The actual invoiced cost for the outboard motor is \$9,500. WHOI allocated the total invoiced cost between the following two final cost objectives:

<u>Federal Award Number</u>	<u>Federal Agency</u>	<u>Award Type</u>	<u>Cost</u>
DACA72-01-C-0011	Department of Army	Contract	\$ 5,725
NA04NMF4720405	NOAA	Grant	3,775
			<u>\$ 9,500</u>

However, our review of WHOI's purchase requisition disclosed no evidence as to the rationale WHOI used to directly allocate the costs associated with this outboard motor between the two Federal awards.

We then reviewed WHOI's FY 2005 depreciation expense records which disclosed that WHOI had capitalized the costs of another small boat motor and depreciated it over the estimated life of the asset. In accordance with OMB Circular A-122, section B.1 "...a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost". It is our position that the purchase of the outboard motor on October 21, 2005 is for the same purpose, in like circumstances, as the prior one and therefore, should be accounted for in a same manner (capitalized and depreciated over its useful life).

There is also an issue on the allocability of these costs to only two awards. In accordance with OMB Circular A-122, Attachment A, section A.4.a., "A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received". It is our opinion that an outboard motor for a small boat will benefit more than just the two referenced Federal awards. As such, the costs associated with that motor should be allocated accordingly.

Finally, OMB Circular A-122, Attachment B., 15, states that the purchase of equipment and other capital expenditures, requires advance approval by the awarding agency for general purpose equipment. The definition of general purpose equipment is that the purchased item has to have a useful life exceeding one year, its unit cost is greater than \$5,000 and it is not limited to research, medical, scientific to other technical activities. Based on our review, we concluded that the outboard motor meets this definition and is considered general purpose equipment. However, WHOI did not receive prior approval from either Federal agency prior to purchasing this equipment.

b. Criteria:

OMB Circular A-122, Attachment A, part B.1, (Direct costs) states in part “Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost...”.

OMB Circular A-122, attachment A, Section A, part 4 Allocable Costs, subpart a states in part “A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received.” We are of the opinion that the direct allocation of these costs to the projects is not consistent with the relative benefits received by these projects in the circumstances.

OMB Circular A-122 Attachment B, 15 Equipment and other capital expenditures subpart b (1) states “Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges except where approved in advance by the awarding agency”.

OMB Circular A-133 Compliance Supplement – Compliance Requirement B. Costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. Based on the above references, the questioned costs are not in accordance with applicable cost principles (OMB Circular A-122).

c. Recommendation:

We recommend that WHOI adjust their billings for these two Federal awards by removing the questioned costs. We also recommend that WHOI implement a policy that requires documentation to be maintained whenever the cost of a particular item is split between multiple awards.

d. Contractor’s Reaction:

WHOI concurs with the adjustment of \$5,725 in equipment charged to WHOI Project No. 49001100 as well as \$3,775 in equipment charged to WHOI Project No. 24040500. WHOI will adjust the billings for these federal awards by removing the questioned costs.

WHOI will work to develop a procedure to accurately allocate costs when a purchase is made relating to more than one project. When completed the procedure will be included with the communications to WHOI departments.

05-C. Contract No. DACA72-01-C-0011 - WHOI Project No. 49001100

a. Condition:

We questioned \$2,177 in airfare costs on the basis that WHOI is in noncompliance with compliance requirement B (Allowable Costs/Cost Principles) of OMB Circular A-133 Compliance Supplement, and OMB Circular A-122.

On/or about May 26, 2005 a WHOI employee (P. Tyack) traveled overseas. WHOI then charged the roundtrip airfare costs associated with this trip (\$2,177) directly to Army Federal Award number DACA72-01-C-0011 (WHOI account number 49001100). An unidentified third party paid the remainder of the employee's travel costs. During our evaluation of these costs we asked WHOI to provide us with the employee travel expense report, purpose of travel, dates of travel, identity of third party who paid the remaining travel related expenses and the employee's timesheet during the period of performance. However, WHOI was unable to provide us with any of this information. In accordance with OMB Circular A-122, attachment A, section.A.2 a cost is unallowable if it is not adequately documented. Since WHOI is unable to provide us with any documentation to support the allowability of the airfare costs, we are questioning them in accordance with the OMB Circular A-122 reference noted above.

b. Criteria:

OMB Circular A-122, attachment A, Section A, part 2 states the following:

Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
- d. Be accorded consistent treatment
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- g. Be adequately documented.

OMB Circular A-133 Compliance Supplement – Compliance Requirement B. Costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. Based on the above references, the questioned costs are not in accordance with applicable cost principles (OMB Circular A-122).

c. Recommendation:

We recommend that WHOI adjust their billings for this Federal award by removing the questioned costs.

d. Contractor's Reaction:

WHOI concurs with the adjustment of \$2,177 in airfare costs charged to WHOI Project No. 49001100. WHOI will adjust the billings for the federal awards by removing the questioned costs.

The Assistant Controller will meet with Department Administrators and Department Administrative Assistants regarding time card and travel allocations.

05-D Grant No. N00014-03-10736 - WHOI Project No. 13073600

a. Condition:

We questioned \$2,800 in Other Outside Service costs on the basis that WHOI is in noncompliance with OMB Circular A-110 (Subpart C, section .28), OMB Circular A-122 (attachment A, part 4 Allocable Costs subpart a) and compliance requirements B (Allowable Costs/Cost Principles) and H (Period of Availability of Federal Funds compliance requirement) of the OMB Circular A-133 Compliance Supplement.

On February 28, 2005, WHOI charged \$2,800 in other outside service costs direct to ONR Federal Award number N00014-03-10736 (WHOI account number 130736SP). Since the period of performance for this award ended on December 31, 2004, this meant that the receipt date of this service was two months after this federal award ended. Based on these dates, it is clear that the outside services did not benefit the referenced Federal award. In fact, WHOI is unable to provide us with any information as to what project this service was used on.

b. Criteria:

OMB Circular A-122, attachment A, Section A, part 4 Allocable Costs, subpart a states in part "A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received." Since WHOI incurred the obligation after the funding period ended, there was obviously no benefit to this federal award. Therefore, we are also questioning these costs on the basis that they are not allocable to the federal award.

OMB Circular A-110, Subpart C, section .28 states that "Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency". Since WHOI incurred the obligation after the funding period ended and as discussed above is unallowable per OMB Circular A-122, WHOI is in noncompliance with OMB Circular A-110.

OMB Circular A-133 Compliance Supplement – Compliance Requirement B. Costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. Based on the above references, the questioned costs are not in accordance with applicable cost principles (OMB Circular A-122).

OMB Circular A-133 Compliance Supplement – Compliance Requirement H. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. As shown above, the equipment was purchased well beyond the period of performance end date. As a result, WHOI is also in noncompliance with compliance requirement H.

c. Recommendation:

We recommend that WHOI adjust their billings for this Federal award by removing the questioned costs. Additionally, the contractor should implement a better approval process for ordering items that are charged direct to an award. This would help ensure that items will only be purchased for awards that they benefit and are purchased within the period of performance. We believe this approval process should be performed by someone outside the particular department to ensure that costs are properly charged to all awards.

d. Contractor's Reaction:

WHOI concurs with the adjustment of \$2,800 in outside services charged to WHOI Project No. 13073600. As the award is in a closed status repayment will be made payable to the United States Treasury sent to the attention of Eric Garfield, Contract Specialist ONR.

The Assistant Controller will communicate with Grants and Contract Services as well as the Department Administrators and Department Administrative Assistants to ensure only allowable and allocable costs are charged to projects. In addition it will be reiterated that costs must only be charged during specified funding periods. The communication will entail e-mail as well as attending department meetings.

B. SERVICE CENTER AND DIRECTLY ALLOCATED RATES

05-E. Lab Overhead Cost Center 53195 Martha's Vineyard Coastal Observatory (MVCO)

a. Condition:

	<u>Claimed</u>	<u>Questioned</u>	<u>Difference</u>
Pool	\$ 93,121.00	\$ (82,108.00)	\$ 175,229.00
Base	21	0	21
Rate	<u>\$ 4,434.31</u>	<u>\$ (3,909.93)</u>	<u>\$ 8,344.24</u>

() = Increase

Our review of WHOI's MVCO rate disclosed that WHOI understated its MVCO pool costs by \$82,108. WHOI incorrectly accumulated \$82,108 in MVCO costs under its laboratory overhead cost center (53195 MVCO) instead of its MVCO cost pool. A cost breakdown of the total MVCO costs that WHOI accumulated in its laboratory overhead cost pool, by account number and description, is as follows:

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
5270	Repair parts	\$265
5360	Communications	10,689
5410	Miscellaneous	67,303
5430	Duplicating	1
5460	Electricity	3,175
5510	Technical Assistance	675
	Total	<u>\$82,108</u>

During our review of these accounts, we noted that \$67,227 of the \$67,303 in account number 5410 represents costs that WHOI transferred in from their MVCO service rate pool. We sought justification from WHOI as to the reason they transferred the \$67,227 of costs that they initially identified and accumulated under the MVCO service rate pool into the laboratory overhead cost pool. According to the contractor, the practice of transferring these costs is based upon an agreement they have with their ONR Administrative Contracting Officer (ACO). We then contacted WHOI's ACO to verify WHOI's assertion. The ACO stated the following:

- ONR considers WHOI's accounting treatment and plan to have MVCO operating cost removed from Lab Overhead over time acceptable because there has not been a material cost increase to the federal government. However, if your audit of FY05 determines that there is a material cost increase to the federal government because of the portion of MVCO costs that are included in the Lab Overhead pool, then please advise ONR.

As part of our audit, we gathered the following information to assess the cost impact to federal awards as a result of WHOI allocating \$82,108 in MVCO pool costs through its laboratory overhead rate instead of its MVCO rate.

- The federal government participation in the laboratory overhead pool is approximately 81 percent. This means that \$66,507 (81% x \$82,108) of the \$82,108 will be allocated to the Federal government through WHOI's laboratory overhead rate.
- During FY 2005, WHOI allocated the costs accumulated in its MVCO rate pool (does not include the \$82,108 in MVCO costs noted above) to five projects. One was a **suspense** (non-Federal government) project, and the other four were Federal awards. Of the four Federal awards, two were in a cost **overrun** status as of December 31, 2005.

This means that if WHOI had correctly allocated the \$82,108 in MVCO costs through its MVCO rate, then 58,694 of the \$82,108 would have been allocated to a non-Federal government project and two government projects that are in a cost **overrun** status as of December 31, 2005 (see the schedule below). As a result, the Federal government would not have been billed \$58,694 in costs if WHOI had properly allocated all of the MVCO costs through its MVCO rate pool. The allocation of some of the MVCO costs through the laboratory overhead rate allows WHOI to recover costs that they are not entitled to recover. Hence, the contractors practice results in increased costs being paid by the Federal government.

WHOI Project No.	Gov't Agency	Grant/Contract No.	Grant/Contract Budget	Inception to Date Activity	Cost (Overrun)/Underrun	Proposed Rate	Audited Rate	Difference	Base	Increased Cost Allocation
39041300	-	Non-government				\$ 4,431.31	\$ 8,344.20	\$ (3,912.89)	3	\$ (11,735)
15481400	NOAA	NA160C2740	\$ 195,768	\$ 206,785	\$ (11,017)	\$ 4,431.31	\$ 8,344.20	\$ (3,912.89)	9	\$ (35,214)
13062501	ONR		\$ 188,778	\$ 203,611	\$ (14,833)	\$ 4,431.31	\$ 8,344.20	\$ (3,912.89)	3	\$ (11,735)
Subtotal - Non-government & Government Overrun Projects										\$ (58,694)
23040300	NASA	NNG04GLO3G	\$ 227,949	\$ 137,151	\$ 90,798	\$ 4,431.31	\$ 8,344.20	\$ (3,912.89)	3	\$ (11,735)
81991500	NSF		\$ 1,379,696	\$ 1,268,288	\$ 111,408	\$ 4,431.31	\$ 8,344.20	\$ (3,912.89)	3	\$ (11,735)
Subtotal - Government Underrun Projects										\$ (23,474)
Rounding error										\$ 6
Totals										<u>21</u> \$ (82,108)

In summary, if WHOI allocates the \$82,108 in MVCO costs through their laboratory overhead rate, then \$66,507 of the \$82,108 will be allocated to the Federal government awards. If these costs are moved to the MVCO rate pool, where they belong, then the Federal government will only be allocated \$23,414 (\$82,108-\$58,694). So the true cost impact is the difference between the two methods, which is \$43,093 (\$66,507-\$23,414).

By allocating the MVCO costs in its laboratory overhead rate, WHOI is also in noncompliance with OMB Circular A-122, Attachment A, section A.4.a. In accordance with that reference "A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received". In this case, WHOI has developed a separate MVCO rate because they have determined that the MVCO costs only benefit specific awards. As a result, it is not equitable for WHOI to allocate the \$82,108 in MVCO costs through its laboratory overhead rate.

When making a determination on materiality, we refer to OMB Circular A-133, section .510(a)(3). In accordance with that section the auditor should report all questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. This impact of this issue exceeds the \$10,000 requirement and is therefore required to be reported in accordance with OMB Circular A-133.

WHOI's laboratory overhead rate is fixed with a carryforward provision. As a result, there is no impact to the FY 2005 labor overhead costs. However, the \$82,108 in MVCO costs that we are transferring from the labor overhead pool to the MVCO pool will be taken into consideration when we audit the FY 2005 carryforward amount for the laboratory overhead pool. As a note, the carryforward amount only impacts future indirect rate negotiations.

b. Criteria:

OMB Circular A-122, attachment A, Section A, part 4 Allocable Costs, subpart a states in part "A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received."

c. Recommendation:

We recommend that WHOI reclassify the MVCO costs in the laboratory overhead pool to the MVCO service rate pool.

d. Contractor's Reaction:

No corrective action is planned. WHOI continues to believe that prior communication and approval (since 2003) from Debbie Rafi, Director, Indirect Cost Branch, ONR regarding acceptance of WHOI's accounting treatments for MVCO overhead support was sufficient. WHOI has been proactive in communicating their intentions regarding the overhead support.

It is the auditors position the cost impact is \$43,093 of additional costs allocated to the government. That premise is based on the fact that two government awards having MVCO costs allocated to them were over run at the end of 2005. It should be noted that both government awards 15481400 and 13062501 which the auditor listed as over run had sufficient funds at the beginning of 2005 to absorb the full costs of the service center had this agreement not been made prior to the beginning of the year. WHOI does not feel it's proper to make an adjustment at the close of the year after this treatment had been agreed to and award funds had been fully spent.

In fact, had the agreement not been made the \$35,216 for 15481400 and \$11,793 for 13062501 totaling \$46,955 would have been allowable costs on both the awards.

The audit opinion states the true cost impact is as follows:

	66,507	Government portion of overhead
Less	<u>23,414</u>	Gov't projects allocated MVCO not over run at the end of 2005
	43,093	

However, the true cost impact including costs allocated to 15481400 and 13062501 is:

	66,507	Government portion of overhead
Less	<u>23,414</u>	Gov't projects allocated MVCO costs not over run end of 2005
	43,093	
Less	<u>46,955</u>	Gov't projects allocated MVCO costs not overrun at start of 2005
	<u>(3,862)</u>	

Therefore the government saved \$3,862 using the agreed to method.

e. Auditor's Response:

As documented in the Condition section above, Debbie Rafi did not give WHOI approval to continue this practice indefinitely. It all depends on the impact to the Federal government. In our opinion there is an impact to the Federal government and therefore should not be continued.

WHOI's other position that the Federal government actually saved \$3,862 is incorrect. If WHOI had allocated the MVCO costs to those Federal awards at the beginning of FY 2005, as they stated, then those Federal awards would have reached their ceiling amounts sooner. This means that WHOI would have overrun these Federal government projects by even more than they actually did. So to say the Federal government actually saved money is not a correct statement.

C. INTERNAL CONTROL05-F. MBL/WHOI Library

a. Condition:

WHOI contributes to a facility referred to as the MBL/WHOI library. This is a facility that is owned by Marine Biological Laboratory (MBL) but is also utilized by WHOI as well as other unidentified users that pay a fee. MBL bills WHOI for use of this facility which is jointly operated by WHOI and MBL. These bills are for support services, books, serials, copy services, catalog services, fees & memberships and other miscellaneous expenses. In the past WHOI has also contributed to the design and purchase of a new air conditioning system for the library. When reviewing the allowability and allocability of these costs, we asked WHOI to provide us with the written agreement between the two parties in order to review the relationship between these two parties, their responsibilities and the types of costs WHOI has agreed to pay. However, WHOI informed us that there is no formal written agreement or any documentation as to the extent of their relationship. In our opinion, MBL and WHOI should have a written formal agreement, which documents their relationship as well as the costs that each party is responsible for in order to properly control the payment of costs associated with the library. The lack of such an agreement results in a significant internal control deficiency.

b. Criteria:

OMB Circular A-122, attachment A, Section A, part 2 states the following:

Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.*
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.*
- c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.*
- d. Be accorded consistent treatment*
- e. Be determined in accordance with generally accepted accounting principles (GAAP).*
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.*
- g. Be adequately documented.*

If WHOI does not develop a written agreement with MBL, then they will not meet the above criteria for determining the allowability of its library costs.

c. Recommendation:

WHOI should enter into a formal written agreement with MBL regarding the MBL/WHOI Library. This agreement should specify the nature of the relationship between the parties regarding Library operations, the costs associated with the library and each organizations cost participation, the services to be provided by each party, and other relevant details.

d. Contractor's Reaction:

WHOI concurs that we should enter into a formal written agreement with MBL regarding the MBL/WHOI library. This information has been communicated to the Acting Director as well as the VP for Academic Programs. For 2007 a written agreement will be established which will include appropriate cost participation and services provided.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Woods Hole Oceanographic Institute
 Fiscal Year Ended December 31, 2005

<u>Major Programs</u>	<u>CFDA Number</u>	<u>Expenditures</u>
National Science Foundation	47.RD	\$ 64,142,922
Department of Defense USN (ONR)	12.RD	16,486,612
National Oceanic & Atmospheric Administration	11.RD	13,816,146
National Aeronautics & Space Administration	43.RD	1,872,375
United States Geological Survey	15.RD	1,697,786
Department of Health and Human Services	93.RD	1,464,698
Department of Energy	81.RD	583,789
Environmental Protection Agency	66RD	572,161
Miscellaneous	99.RD	<u>51</u>
Total Federal Programs		<u>\$ 100,636,540</u>

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

Project Number	Contract Number	Allowable Costs		
		Cumulative To 12/31/2004	Year Ended 12/31/2005	Cumulative To 12/31/2005
United States Navy Contracts:				
100058SP	#N00014-05-C0058	\$ -	\$ 258,628	\$ 258,628
100201SP	#N00014-02-C0201	961,011	509,994	1,471,006
101174SP	#N00174-01-C0001	1,549,742	102,819	1,652,561
102199SP	#N66604-03-D2199	324,580	234,762	559,342
102278SP	#N00014-02-C0278	1,086,218	672,740	1,758,957
104168SP	#N41756-04-C4186	518,148	157,888	676,036
106430SP	#05C6430	-	1,007,323	1,007,323
490151SP	#N00014-03-M0151	31,822	1,913	33,735
491016SP	#N62306-P-1016	-	11,632	11,632
491153SP	#M62306-P-5041	72,511	(154)	72,357
495710SP	#N6601-05M-R710	-	39,000	39,000
496439SP	#N41756-05-M6439	-	21,643	21,643
496630SP	#N00024-04M-6630	7,343	74,176	81,519
496639SP	#N00024-04-M6639	7,245	49,220	56,465
496907SP	#N00173-05-6907	-	48,243	48,243
Total Navy Contracts		\$ 4,558,620	\$ 3,189,826	\$ 7,748,446
United States Navy Grants:				
130006SP	#N00014-05-10006	\$ -	\$ 51,737	\$ 51,737
130008SP	#N00014-03-10008	464,934	242,231	707,165
130030SP	#N00014-04-10030	64,680	103,966	168,646
130035SP	#N00014-06-10035	-	-	-
130048SP	#N00014-00-10048	969,185	(51)	969,134
130082SP	#N00014-05-10082	14,713	43,564	58,277
130085SP	#N00014-05-10085	38,556	185,707	224,264
130090SP	#N00014-99-10090	1,586,820	7,902	1,594,723
130109SP	#N00014-04-10109	188,383	154,043	342,426
130129SP	#N00014-01-10029	3,794,045	98,509	3,892,553
130145SP	#N00014-02-10145	695,140	385,682	1,080,823
130146SP	#N00014-04-10146	337,437	671,240	1,008,678
130157SP	#N00014-04-10157	52,154	47,175	99,329
130212SP	#N00014-03-10212	137,817	51,816	189,633
130217SP	#N00014-04-10217	25,973	29,296	55,269
BOTTOM				
130221SP	NEPHELOID	124,502	187,287	311,789
130247SP	ASIAEX DATA	52,229	3,090	55,319
130250SP	LOCO	34,691	178,466	213,158
130256SP	#N00014-00-10256	694,369	-	694,369

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

		Allowable Costs		
Project		Cumulative	Year	Cumulative
Number	Contract Number	To	Ended	To
		12/31/2004	12/31/2005	12/31/2005
130273SP	#N00014-03-10273	63,003	56,693	119,696
130280SP	#N00014-99-10280	3,292,128	743,247	4,035,376
130294SP	INTERANNUAL MESO	142,955	5,559	148,514
130295SP	#N00014-02-10095	481,851	18,149	500,000
130300SP	#N00014-05-10300	-	73,796	73,796
130317SP	#N00014-02-10317	941,430	165,662	1,107,092
130334SP	#N00014-03-10334	151,156	18,103	169,259
130336SP	#N00014-03-10336	27,071	80,772	107,843
130337SP	#N00014-02-10337	118,607	1,226	119,833
130345SP	#N00014-98-10345	967,929	14,425	982,354
130367SP	#N00014-05-10367	-	61,182	61,182
130377SP	#N00014-04-10146	141,748	41,323	183,072
130420SP	#N00014-04-10420	24,838	102	24,939
130426SP	N00014-05-10426	-	6,126	6,126
130427SP	#N00014-05-10427	-	75,262	75,262
130428SP	#N00014-05-10428	-	6,957	6,957
130440SP	#N00014-04-10440	114,756	365,674	480,430
130447SP	#N00014-03-10447	371,776	156,004	527,780
130472SP	#N00014-02-10472	158,403	37,340	195,743
130475SP	#N00014-04-10475	-	206,590	206,590
130482SP	N00014-05-10482	-	93,152	93,152
130488SP	#N00014-05-10488	-	-	-
130489SP	N00014-05-1-0489	-	187,539	187,539
130490SP	#N00014-04-10090	75,413	44,587	120,000
130505SP	#N00014-02-10050	235,321	78,792	314,113
130510SP	#N00014-02-10510	365,164	49,849	415,013
130545SP	#N00014-03-10545	149,699	105,020	254,719
130564SP	#N00014-01-10564	702,193	59,322	761,516
130590SP	#N00014-05-10090	-	105,005	105,005
130593SP	#N00014-98-10593	1,034,497	-	1,034,497
130625SP	#N00014-04-10625	161,405	238,541	399,946
130631SP	#N00014-04-10631	341,431	10,819	352,250
130643SP	#N00014-05-10643	-	-	-
130651SP	#N00014-04-10651	149,657	246,483	396,140
130668SP	#N00014-04-10668	27,086	-	27,086
130681SP	#N00014-03-10681	71,488	164,023	235,511
130720SP	#N00014-04-10720	346,527	663,301	1,009,828
130734SP	#N00014-03-10734	108,983	-	108,983

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

Project Number	Contract Number	Allowable Costs		
		Cumulative To 12/31/2004	Year Ended 12/31/2005	Cumulative To 12/31/2005
130736SP	#N00014-03-10736	158,601	3,602	162,203
130753SP	N00014-05-1-0753	-	129,722	129,722
130767SP	#N00014-02-10767	991,814	178,595	1,170,409
130772SP	UNCERTAINTY DRI	627,420	2,580	630,000
130773SP	#N00014-04-10773	6	6,200	6,207
130781SP	#N00014-5-1-0781	-	7,997	7,997
130782SP	#N00014-04-10782	1,912	46,632	48,544
130840SP	#N00014-03-10840	100,289	495	100,784
130864SP	#N00014-03-10864	670,175	291	670,467
130894SP	#N00014-03-10894	47,859	6,081	53,940
130905SP	#N00014-00-10905	975,753	-	975,753
130913SP	#N00014-02-10913	1,266,095	645,679	1,911,774
131011SP	#N00014-01-11011	221,552	154	221,706
131313SP	#N00014-01-10313	510,692	40,426	551,118
131373SP	#N00014-01-10373	10,042,432	207,814	10,250,246
131510SP	#N00014-04-10250	53,346	38,154	91,500
132037SP	#N00014-02-11037	374,646	25,287	399,933
132359SP	#N00014-02-10359	257,665	129,611	387,276
133335SP	#N00014-03-10335	210,948	68,662	279,610
133767SP	#N00014-03-10767	153,599	24,137	177,736
133918SP	#N00014-03-10918	31,594	88,393	119,987
134029SP	#N00014-04-10029	87,628	132,886	220,514
134747SP	#N00014-04-10474	287,723	122,765	410,488
135410SP	#N00014-05-10410	-	193,235	193,235
135413SP	#N00014-05-10413	-	29,055	29,055
135704SP	#N00014-05-10704	-	27,839	27,839
136134SP	#N00014-06-10134	-	-	-
136178SP	#N00014-06-10178	-	-	-
136179SP	#N00014-06-10179	-	-	-
138246SP	#N00014-02-10846	1,108,075	124,492	1,232,567
139287SP	#N00014-99-10287	2,541,585	400,544	2,942,128
140028SP	#N00014-96-10028	361,186	15,272	376,458
140348SP	#N00014-96-10348	1,148,003	-	1,148,003
Total Navy Grants		<u>\$42,272,744</u>	<u>\$9,318,886</u>	<u>\$ 51,591,630</u>
NOAA Grants:				
222273SP	#NA16RG2273	\$ 2,909,356	\$ 1,205,829	\$ 4,115,185
240011SP	#NA03NOS4780011	69,592	249,839	319,431
240023SP	#NA04NOS4780023	29,598	49,308	78,907

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

Project Number	Contract Number	Allowable Costs		
		Cumulative To 12/31/2004	Year Ended 12/31/2005	Cumulative To 12/31/2005
240040SP	#NA04OAR4600040	13,816	27,072	40,888
240045SP	#NA04OAR4600045	51,726	43,314	95,040
240051SP	#NA04OAR4600051	18,022	24,445	42,467
240071SP	#NA04OAR4600071	34,033	34,818	68,850
240084SP	#NA04OAR4600084	-	93,570	93,570
240108SP	#NA00OAR4600108	79,657	18,343	98,000
240110SP	#NA03OAR4600110	96,159	25,152	121,312
240115SP	#NA03OAR4600115	18,995	190,880	209,875
240156SP	#NA03OAR4310156	79,033	43,161	122,194
240168SP	#NA04OAR4300168	-	105,469	105,469
240183SP	#NA04NOS4780183	6,140	28,314	34,454
240274SP	#NA04NOS4780274	221,901	320,873	542,775
240287SP	#NA06RU0287	7,737,740	146,836	7,884,576
240392SP	#NA04NMF4720392	4,252	28,052	32,304
240393SP	#NA04NMF4720393	29,896	19,238	49,135
240394SP	#NA04NMF4720394	2,646	19,902	22,548
240402SP	#NA04NMF4720402	185	62,023	62,208
240403SP	#NA04NMF4720403	3,160	31,133	34,293
240404SP	#NA04NMF4720404	-	56,192	56,192
240405SP	#NA04NMF4720405	4,336	93,666	98,002
240440SP	#NA03NMF4390440	36,470	62,797	99,267
240453SP	#NA06GP0453	621,200	(941)	620,259
240475SP	#NA03NMF4720475	35,743	46,402	82,145
240477SP	#NA03NMF4720477	60,674	28,360	89,034
240491SP	#NA03NMF4720491	27,242	54,621	81,863
241051SP	#NA05OAR4601051	-	81,046	81,046
241054SP	#NA05OAR4601054	-	47,914	47,914
241076SP	#NA05OAR4171076	-	33,368	33,368
241102SP	#NA05OAR4301102	-	1,029,847	1,029,847
241165SP	#NA05NMF4391165	-	15,024	15,024
241224SP	#NA05NOS4781224	-	213	213
241245SP	#NA05NOS4781245	-	-	-
241247SP	#NA05NOS4781247	-	17,807	17,807
241438SP	#NA16OP1438	226,726	124,863	351,589
242008SP	#NA16GP2008	70,214	101,826	172,040
242291SP	#NA16FD2291	107,006	(795)	106,212
242785SP	#NA16OP2785	247,176	17,150	264,326
242793SP	#NA16OP2793	263,748	236,581	500,329
242918SP	#NA16GP2918	110,715	75,499	186,214

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

		Allowable Costs		
Project		Cumulative	Year	Cumulative
Number	Contract Number	To	Ended	To
		12/31/2004	12/31/2005	12/31/2005
244133SP	#NA04OAR4600133	-	150,601	150,601
244270SP	#NA04NOS4780270	37,463	112,950	150,413
Total NOAA Grants		\$ 13,254,622	\$ 5,152,561	\$ 18,407,183
NOAA Contracts:				
440219SP	#EA133F-02SE0219	\$ 40,034	\$ 13,904	\$ 53,938
440294SP	#EA133F04SE1294	-	24,327	24,327
440386SP	#AB133F04SE0386	88,497	5,789	94,286
440595SP	#EN133F04S0595	16,928	6,015	22,944
440826SP	#NFFM5100500826	-	7,267	7,267
441001SP	#DG133F04SE1001	21,124	3,867	24,991
441145SP	#AB133R06SE1145	-	4,418	4,418
441196SP	#EA133F04SE1196	4,093	19,709	23,802
441657SP	#EN133F05SU1657	-	12,853	12,853
442312SP	#PO	-	1,092	1,092
442335SP	#EM-2355	-	4,823	4,823
442364SP	#DG133R05SE2364	-	4,899	4,899
443000SP	#EN133F05SU3000	-	7,974	7,974
443011SP	#AB133R05SE3011	-	10,000	10,000
445063SP	#MC5063	125	378	503
445157SP	#EA133C05SE5157	-	16,124	16,124
445824SP	#EN133F05SE5824	-	2,648	2,648
445828SP	#AB133F05SE5828	-	75,245	75,245
446217SP	#DG133F05SE6217	-	11,117	11,117
446441SP	#EA133C05SE6441	-	451	451
446881SP	#AB133F05SE6881	-	-	-
448850SP	#8850	40,784	10,174	50,959
Total NOAA Contracts		\$ 211,585	\$ 243,074	\$ 454,659
NOAA Cooperative Agreements:				
371223SP	#NA17RJ1223	\$ 12,766,415	\$ 6,480,270	\$ 19,246,684
Total NOAA Cooperative Agreements		\$ 12,766,415	\$ 6,480,270	\$ 19,246,684
United States Geological Survey:				
480010SP	#00HQAG0001	\$ 4,909,949	\$ 393,984	\$ 5,303,933
480027SP	#03ERAG0027	26,594	6,308	32,902
480029SP	#05ERAG0029	-	963,689	963,689
480033SP	#05WRAG0033	-	65,599	65,599

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

		Allowable Costs		
Project Number	Contract Number	Cumulative To 12/31/2004	Year Ended 12/31/2005	Cumulative To 12/31/2005
480120SP	#05FLSA0120	-	2,960	2,960
480295SP	#05WRSA0295	-	10,000	10,000
480500SP	#NICHOLS MC	-	8,956	8,956
480945SP	#200-2090-0945	-	406	406
482627SP	#4-AKSA-2627	3,792	17,721	21,513
Total USGS		\$ 4,940,335	\$ 1,469,623	\$ 6,409,958
National Institute of Health Grants:				
212742SP	#1P50-ES01274201	\$ 261,280	540,934	802,213
212794SP	#1 F32 ESO12794	59,028	45,685	104,714
213642SP	#1 F32ES013642-1	7,952	44,956	52,908
216272SP	#2R01 ESO6272-06	468,495	487,977	956,472
Total NIH Grants		\$ 796,755	\$ 1,119,552	\$ 1,916,307
National Air and Space Administration Grants:				
230022SP	#NNG04GR22G	\$ -	\$ 22,335	\$ 22,335
230095SP	#NNG04GE95G	2,917	24,095	27,012
230403SP	#NNG0L03G	79,999	210,768	290,767
230414SP	#NNG04GQ14H	7,113	22,585	29,697
230425SP	#NNG04GQ25G	89,060	55,037	144,097
230433SP	#NNG04GJ33G	88,083	81,932	170,014
230434SP	#NNG04GP34G	-	109,366	109,366
230450SP	#NNG04GF50G	35,056	27,362	62,418
230530SP	#NNG05GG30G	-	89,382	89,382
230534SP	#NNG05GR34G	-	-	-
230593SP	#NNG05GN93G	-	61	61
231265SP	#NAG5-11265	323,058	101,695	424,753
232403SP	#NAG5-12403	132,776	1,693	134,469
232444SP	#NAG5-12444	367,186	91,263	458,449
232520SP	#NAG5-12520	116,857	144,627	261,484
Total NASA Grants		\$ 1,242,105	\$ 982,201	\$ 2,201,970

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

Project Number	Contract Number	Allowable Costs		
		Cumulative To 12/31/2004	Year Ended 12/31/2005	Cumulative To 12/31/2005
Department of Energy:				
112665SP	#DEFC2605NT42665	\$ -	\$ 4,523	\$ 4,523
112999SP	#DEFGO200ER62999	745,156	119,774	864,931
113466SP	Organic Chemistry	3,699,821	126,459	3,826,280
113659SP	#DEFG0203ER63659	158,861	72,735	231,595
114746SP	#DEFG0297ER14746	680,062	153,296	833,358
115058SP	#DEFGO200ER15058	190,015	44,278	234,293
Total Department of Energy		\$ 5,473,915	\$ 521,065	\$ 5,994,980
Department of the Army				
490011SP	#DACA72-01C-0011	\$ 1,387,023	\$ 327,768	\$ 1,714,791
490072SP	#DAAD19-03-10072	49,640	71,928	121,568
Total Army Contracts		\$ 1,436,663	\$ 399,696	\$ 1,836,359
Environmental Protection Agency:				
400401SP	R-82980401-0	\$ 231,119	\$ 18,844	\$ 249,963
404151SP	#83041501	99,141	107,109	206,250
408901SP	#R-82908901	311,722	147,937	459,659
409301SP	#R-83039301	220,971	3,984	224,955
Total EPA Grants		\$ 862,953	\$ 277,875	\$ 1,140,828
Miscellaneous Other Federal Contracts:				
490386SP	#MO10386.00	\$ (35,916)	\$ 29,081	\$ (6,835)
491423SP	#GG11423.01	66,492	2,199	68,691
Total Misc. Contracts		\$ 30,576	\$ 31,280	\$ 61,856

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

		<u>Allowable Costs</u>		
Project		Cumulative	Year	Cumulative
<u>Number</u>	<u>Sub Award Number</u>	<u>To</u>	<u>Ended</u>	<u>To</u>
		<u>12/31/2004</u>	<u>12/31/2005</u>	<u>12/31/2005</u>
United States Navy				
150165SP	#2500-165-LO-A	\$ 1,587	\$ (1,587)	\$ -
150209SP	#PO 14050209	0	26,254	26,254
150226SP	#2500-0226-00-A	0	31,402	31,402
150270SP	#WRE27	33,769	3,257	37,026
150326SP	#WHOI OE10326.00	413,470	(1,970)	411,500
150401SP	#APS-STTR-04-01	14,735	32,765	47,500
150489SP	#PO577489	105,492	8,965	114,457
150503SP	#PO 50003	0	20,969	20,969
150509SP	#SC0509	0	234,548	234,548
150860SP	#N00014-02-10972	0	3,348	3,348
150872SP	#IFE 8720	35,495	24,505	60,000
151075SP	#2500-1075-00A	7,762	30,026	37,788
151421SP	#MIT 5710001421	20,241	13,424	33,665
151427SP	# PO 10142701	666,056	183,853	849,909
151512SP	#OE11512.00	0	9,879	9,879
151516SP	#OASIS05-SC-02	0	16,858	16,858
151556SP	#5710001556	72,222	34,587	106,809
151623SP	#05SUBC440051150	19,731	20,227	39,959
151649SP	#5710001649	192,014	125,882	317,895
151685SP	#RF01001685	3,726	(1,002)	2,724
151902SP	#061602/535495	209,670	9,514	219,184
152003SP	#2002-003	80,675	20,087	100,762
152241SP	#PO 602241	0	52,668	52,668
152258SP	#PO 000002258	0	6,352	6,352
152851SP	#PO 12851	12,765	5,242	18,007
153221SP	#PO HG-583221	11,303	70,515	81,818
153424SP	#8200083424	0	15,875	15,875
153981SP	#P0013981	0	10,554	10,554
154400SP	#SAIC 440000	529,853	769,228	1,299,081
154501SP	#DODONR44501SUB	9,852	77,469	87,321

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

154722SP	#PO 004722	0	4,911	4,911
154874SP	#UMAINE U264874	0	4,822	4,822
155144SP	#PO 5144	0	10,836	10,836
155221SP	#SURA-2005-212	0	49,658	49,658
155391SP	#PO 90531	0	319	319
155495SP	#03250/535495	223,516	94,667	318,183
155615SP	#URI00005615	0	5,037	5,037
155725SP	#UW 885725	2,640	1,439	4,079
155826SP	#4400105826	0	754,140	754,140
156307SP	#SAIC 4600006307	0	313,866	313,866
156671SP	#0000006671	4,706	5,329	10,034
157629SP	#7000007629	0	8,631	8,631
157709SP	#MIAMI 667709	49,014	7,312	56,326
157902SP	#RF00979020	15,709	291	16,000
158021SP	#UCSD 10218021	99,917	2,744	102,662
158119SP	#7000008119	0	5,892	5,892
159130SP	#SC 00000913	0	191,033	191,033
159275SP	#PO 19275	0	10,547	10,547
159436SP	#8200079436	0	47,553	47,553
159738SP	#8200059738	2,473,035	52,702	2,525,737
Total ONR Subawards		<u>\$5,308,955</u>	<u>\$ 3,425,422</u>	<u>\$ 8,734,377</u>

NOAA

150016SP	#SC06-08-016	\$ -	\$ 36,751	\$ 36,751
150034SP	#2003-0170-34	0	53,577	53,577
150196SP	# UM SO1960	0	90,263	90,263
150314SP	#CMRC03NRAA104A	19,623	4,608	24,231
150322SP	#PO 0510322	0	2,352	2,352
150344SP	#FSU R00344	0	146,677	146,677
150424SP	#PO 10250424	0	29,183	29,183
150504SP	#IMC-05-NOAA-004	0	7,535	7,535
150660SP	#SC 06-066	0	11,190	11,190
150667SP	#SC 06-067	0	13,570	13,570
150674SP	#UNH 03-738	81,137	9,322	90,459

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

150693SP	#UNH 03-693	25,294	(294)	25,000
150694SP	#UNH 03-694	1,599	2,778	4,377
150720SP	#UAF 05-0072	0	54,479	54,479
150756SP	#5710001756	12,347	13,000	25,347
150839SP	#GG10389.03	20,446	2,097	22,543
150938SP	#002983	0	194	194
151120SP	#SC 1120	204,326	92,862	297,188
151173SP	#UAF 040118	21,665	13,870	35,535
151226SP	#JHT04P1226	5,155	38,256	43,411
151233SP	#UCONN BI11233.1	33,031	17,634	50,665
151386SP	#JHT04P1386	8,168	1,832	10,000
151422SP	#OE11422.00	0	19,838	19,838
151449SP	#PO 11449	48,011	4,396	52,407
151515SP	#PO11515.00	0	1,585	1,585
151573SP	#PO31573	0	73	73
151684SP	#5710001684	20,789	46,889	67,678
151871SP	#NMFS CT SCAN	0	810	810
152245SP	#CORNELL 642245	0	44,747	44,747
152562SP	#UNH 02-562	124,911	3	124,914
152920SP	#CHECK 00182920	951	27	978
153095SP	#PO 003095	0	155	155
153674SP	#UNH 03-674	77,959	91	78,050
153675SP	#UNH 03-675	88,077	(514)	87,563
153788SP	#UNH 03-788	41,804	32,995	74,799
154135SP	#UCSB 554135	6,421	49,115	55,536
154367SP	#PO10204367	656,784	217,800	874,585
154368SP	#PO 10204368	176,841	3,616	180,458
154801SP	#UNH 04-801	170,227	51,130	221,357
154802SP	#UNH 04-802	106,990	134,800	241,790
154814SP	#UNH 04-814	129,551	91,060	220,611
154826SP	#04-826	139,339	(4,247)	135,092
154857SP	#UNH 04-857	69,147	72,743	141,890
155041SP	#PSA 5041	0	20,000	20,000
155045SP	#PSA 5045	0	60,405	60,405
155091SP	#03-05-091	211,615	4,140	215,755
155123SP	#008751-05123	0	1,288	1,288

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

155138SP	#PO 45138	0	1,000	1,000
155750SP	#UM-S575	0	9,214	9,214
155909SP	#UNH 05-909	17,014	53,665	70,679
155914SP	#UNH 05-914	0	35,686	35,686
155924SP	#PO 175954	0	6,620	6,620
155929SP	#UNH 05-929	43,625	104,005	147,631
155996SP	#4400095996	17,027	33,007	50,034
156016SP	#UNH 06-016	0	11,033	11,033
156017SP	#UNH 06-017	0	1,416	1,416
156052SP	#UNH PZ06052	0	4,748	4,748
156098SP	#008751-060098	0	357	357
156449SP	#SC26449	0	12,064	12,064
157256SP	#44838-7256	207,916	20,766	228,682
158066SP	#658066	69,971	6	69,977
159023SP	#SC 05-09-023	27,487	148,198	175,685
Total NOAA Subawards		<u>\$2,885,250</u>	<u>\$ 1,936,467</u>	<u>\$ 4,821,717</u>

National Air and Space Administration

151031SP	#SC 05-1031	\$ 12,631	\$ 57,177	\$ 69,808
151175SP	#MBL 21175	149,556	80,398	229,953
151425SP	#JPL 961425	825,297	125,328	950,625
151701SP	#Z601701	527,494	215,447	742,941
155842SP	#09100/535842	629,056	202,132	831,188
156955SP	#JPL 1216955	400,591	105,980	506,571
156957SP	# JPL 1216957	526,027	70,006	596,033
159833SP	#JPL 1229833	290,043	10,130	300,173
159872SP	#JPL 1229872	534,893	23,576	558,469
Total NASA Subawards		<u>\$ 3,895,588</u>	<u>\$ 890,173</u>	<u>\$ 4,785,761</u>

National Institute of Health

150039SP	#PO MC-201270DJW	\$ 1,142,780	\$ 58,075	\$ 1,200,855
150658SP	#F246658	-	350	350
151501SP	#CH10966.00	1	40,951	40,952
151971SP	#GC18197INGA	58,970	57,105	116,074

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

158106SP	#BU Memorandum	511,190	188,665	699,855
Total NIH Subawards		<u>\$ 1,712,941</u>	<u>\$ 345,145</u>	<u>\$ 2,058,087</u>

Environmental Protection Agency

150317SP	#PO 350317	\$ -	\$ 1,239	\$ 1,239
151251SP	#LSU 940-12-51XX	-	44,137	44,137
151898SP	#SC-1898	-	46,454	46,454
156394SP	#03/06/394 W1	114,331	202,456	316,787
Total EPA Subawards		<u>\$ 114,331</u>	<u>\$ 294,286</u>	<u>\$ 408,616</u>

United States Geological Survey

150109SP	#UAF 03-0109	\$ (21,347)	\$ 76,968	\$ 55,621
152056SP	#14350102CA85186	1,221,384	98,340	1,319,724
156138SP	#SC 186138	-	33,567	33,567
151344SP	#GG11344.01	26,097	19,288	45,385
Total USGS Subawards		<u>\$ 1,226,134</u>	<u>\$ 228,162</u>	<u>\$ 1,454,296</u>

Department of Energy

153995SP	#PO 443995	\$ -	\$ 33,780	\$ 33,780
154126SP	#UCSB KK4126	82,504	28,944	111,448
Total DOE Subawards		<u>\$ 82,504</u>	<u>\$ 62,724</u>	<u>\$ 145,228</u>

Department of the Army

155021SP	#PO 05-021	\$ -	\$ 45,606	\$ 45,606
Total Army Subawards		<u>\$ -</u>	<u>\$ 45,606</u>	<u>\$ 45,606</u>

DARPA

154774SP	#MBL 24774	\$ 15,956	\$ 27,435	\$ 43,391
Total DARPA Subawards		<u>\$ 15,956</u>	<u>\$ 27,435</u>	<u>\$ 43,391</u>

Department of the Air Force

157344SP	#MBL 27344	\$ -	\$ 6,064	\$ 6,064
Total Air Force Subawards		<u>\$ -</u>	<u>\$ 6,064</u>	<u>\$ 6,064</u>

**EXHIBIT OF ALLOWABLE COST
BY FEDERAL AWARD**

Woods Hole Oceanographic Institute
Fiscal Year Ended December 31, 2005

Miscellaneous Other Federal

153594SP #PO 10243594	\$ -	\$ 42	\$ 42
158085SP #PO 8085	4,491	9	4,500
Total Misc. Subawards	<u>\$ 4,491</u>	<u>\$ 51</u>	<u>\$ 4,542</u>



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5680

IN REPLY REFER TO

NEGOTIATION AGREEMENT

Institution: WOODS HOLE OCEANOGRAPHIC INSTITUTION
WOODS HOLE, MASSACHUSETTS 02543

The Indirect Cost and Fringe Benefit rates contained herein are for use on grants and contracts with all Federal Agencies of the United States of America, in accordance with the provisions and cost principles mandated by Office of Management and Budget (OMB) Circular A-122. These rates shall be used for forward pricing and billing purposes for Fiscal Year 2005. This rate agreement supersedes all previous rate agreements for Fiscal Year 2005 (FY 05).

SECTION I: RATES - TYPE: FIXED WITH CARRY-FORWARD PROVISIONS

Type	Expense Pool	Effective Period		Rate	Base	Applied To
		From	To			
<u>Indirect Cost Rates:</u>						
Fixed	Lab OH	1/1/05	12/31/05	53.34%	(a)	Research
Fixed	G&A	1/1/05	12/31/05	37.21%	(b)	All Activities
<u>Fringe Benefits Rates:</u>						
Fixed	Fringe (Reg)	1/1/05	12/31/05	47.20%	(c)	All Activities
Fixed	Fringe (Reg OT)	1/1/05	12/31/05	14.02%	(d)	All Activities
Fixed	Fringe (Casual)	1/1/05	12/31/05	10.09%	(e)	All Activities
Fixed	Fringe (Casual OT)	1/1/05	12/31/05	10.28%	(f)	All Activities

DISTRIBUTION BASE

- (a) Direct research and education salaries plus related Employee Benefits plus one half of Graduate Research Assistant salaries.
- (b) Direct salaries plus related Employee Benefits incurred for Research, Education, Ship Operations (including submersibles), Development, Housing, Oceanus Magazine and other appropriate final cost objectives.

- (c) Total assignable salaries of regular employees (direct and indirect) excluding Graduate Research Assistants and overtime salaries.
- (d) Total assignable overtime salaries of regular employees.
- (e) Total assignable salaries of casual employees (direct and indirect) excluding Graduate Research Assistants and overtime salaries.
- (f) Total assignable overtime salaries of casual employees.

SECTION II - GENERAL

A. LIMITATIONS: Use of the rates set forth under Section I is subject to any statutory or administrative limitations and is applicable to a given grant or contract only to the extent that funds are available. Acceptance of the rates agreed to herein is predicated upon the following conditions: (1) that no costs other than those incurred by the grantee/contractor were included in this indirect cost pool as finally accepted and that such costs are legal obligations of the grantee/contractor and allowable under governing cost principles; (2) that the same costs that have been treated as indirect costs are not claimed as direct costs; (3) that similar types of costs have been accorded consistent accounting treatment; and (4) that the information provided by the grantee/contractor which was used as a basis for acceptance of the rates agreed to herein, and expressly relied upon by the Government in negotiating and accepting the said rates is not subsequently found to be materially incomplete or inaccurate.

B. ACCOUNTING CHANGES: The rates contained in Section I of this agreement are based on the accounting system in effect at the time the agreement was negotiated. Changes to the method(s) of accounting for costs, which affect the amount of reimbursement resulting from the use of these rates require the prior approval of the authorized representative of the cognizant negotiation agency. Such changes include but are not limited to changes in the charging of a particular type of cost from indirect to direct. Failure to obtain such approval may result in subsequent cost disallowances.

C. USE BY OTHER FEDERAL AGENCIES: The rates set forth in Section I were negotiated in accordance with and under the authority set forth in OMB Circular A-122. Accordingly, such rates shall be applied to the extent provided in such Circular to grants and contracts to which OMB Circular A-122 applies, subject to any limitations in part A of this section. Copies of this document may be provided by either party to other federal agencies which have or intend to issue or award sponsored agreements using these rates or to otherwise provide such agencies with documentary notice of this agreement and its terms and conditions.

D. FIXED RATES WITH CARRY-FORWARD PROVISIONS:

1. This type of rate is considered final and not subject to adjustment in accordance with the provisions of OMB Circular A-122 and the Federal Acquisition Regulation, subject to the limitations contained in Part A of this Section; except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period as discussed in paragraph 2. below.

2. The FY 2005 rates contained in this agreement are based on estimates of the costs for FY 2005. When actual costs for FY 2005 are determined, adjustments will be applied to the next subsequent rate negotiation to recognize the differences between the estimated FY 2005 costs used to establish the FY 2005 fixed rates with carry-forward provisions and the negotiated actual FY 2005 costs.

E. LIQUIDATION OF PRIOR YEAR CARRY-FORWARD AMOUNTS: The fixed rates set forth herein include the liquidation of the following carry-forward amounts:

Rate Category	Liquidated in FY 2005 Fixed Rates
INDIRECT COSTS:	
Lab Overhead – FY01 Final	\$ 90,388
Lab Overhead – FY02 Estimated	\$ 499,516
G&A – FY01 Final	\$ (27,690)
G&A – FY02 Estimated	\$ (368,020)
EMPLOYEE BENEFITS:	
Regular – FY02 Estimated	\$ 573,134
Casual – FY02 Estimated	\$ 3,783
Regular Overtime – FY02 Estimated	\$ 2,847

*CFW = Carry-Forward; WHO1 (Over) / Under Recovery

F. SPECIAL REMARKS – FRINGE RATES: From FY1986 through FY1994 the Institution set aside accrual funding to cover the estimated current and future costs of its Supplemental Employee Retirement Plan (SERP). The rates set forth herein are predicated on the Government's agreement to accept its pro rata share of the accrued expense accumulated from the inception of the Institution's SERP through 31 December 1994, provided that:

1. As of 1 January 1995 the accrued balance (including accumulated interest) in the SERP fund shall be placed in a separate account where its use will be restricted to the payment of supplemental employee retirement costs;

2. Future interest earned on the SERP fund balance will remain in the SERP fund.

3. The Institution will use the SERP fund (including accumulated and future interest) to pay SERP costs, and will add to the fund only if it becomes exhausted due to payment of supplemental employee retirement benefits as defined in the SERP.

4. If the SERP fund becomes exhausted before all supplemental employee retirement costs have been paid, the Institution will make further payments to the SERP fund on a Pay-As-You-Go basis; and

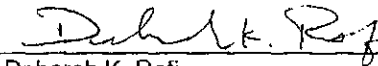
5. The Government shall receive a pro rata refund of any balance remaining in the SERP fund at the conclusion or termination of the SERP.

The purpose of this agreement is to establish fixed rates with carry-forward provisions for the period 1 January through 31 December 2005. These rates are based on Woods Hole Oceanographic Institution's proposal dated 1 November 2004, and the establishment of these rates by the Government based on the accounting systems and allocation methodologies contained in this proposal does not represent an agreement that these systems and methodologies are accepted for Fiscal Year 2005 or for any subsequent year's rate negotiation. The recommendations of the Defense Contract Audit Agency, Boston Branch in Audit Report #2171-2005N23000003 dated 16 December 2004 were considered in the negotiation of these rates.

WOODS HOLE OCEANOGRAPHIC
INSTITUTION:

FOR THE U.S. GOVERNMENT:


Carolyn Bunker
Associate Director for Finance
and Administration


Deborah K. Rafi
Contracting Officer

1/19/05
Date

1/24/05
Date

For information concerning this document contact:
Scott M. Bukovec, Negotiator (703) 696-2586
Office of Naval Research E-mail: bukoves@onr.navy.mil
Indirect Cost Branch (Code 242)
800 N. Quincy St, BCT #3, Rm 424
Arlington, VA 22217



Laurie Murphy
Assistant Controller

Woods Hole Oceanographic Institution

Challenger House, M5 #14
Woods Hole, Massachusetts 02543

September 7, 2006

Mr. David J. Blake
Branch Manager
Defense Contract Audit Agency
Boston Branch Office
495 Summer Street, Suite 336
Boston, MA 02110

Reference: DCAA Report 2171-2004N10110001

Dear David,

The following is Woods Hole Oceanographic Institution's report on corrective action planned/taken in response to prior audit findings presented in the referenced audit reports covering FY 2004.

FY 2004 A-133 Audit Issues:

D4-A. Noncompliance with OMB Circular A-133 Compliance Requirement L – Reporting

a. Condition:

For five out of five transactions tested, WHOI did not submit its SF269 within the 90 days of the federal award completion as required by OMB Circular A-110. The following schedule is a summary of our findings:

Federal Sponsor	Award Reference	WHOI Project #	Award Comp. Date	SF-269 Date
ONR	N00014-97-10087	130087	6/30/2004	11/26/2004
ONR	N00014-00-10210	130210	6/30/2004	4/15/2005
ONR	N00014-98-10135	138135	12/31/2004	Not Submitted
ONR	N00014-98-10593	130593	12/31/2004	Not Submitted
ONR	N00014-96-10348	140348	12/31/2004	Not Submitted

Based on our tests, we concluded that WHOI did not comply with the OMB Circular A-133 Compliance requirements for reporting.

b. Criteria:

OMB Circular A-110, subpart D, section 215.719(a) states:

Recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award. The Federal awarding agency may approve extensions when requested by the recipient.

c. Recommendation:

We recommend that WHOI implement new policies and procedures to ensure that all SF269s are submitted within the 90 days of the federal award completion as required by OMB Circular A-110.

d. Management's Response

Over the past year there has been significant turnover of the people responsible for the closeout of ONR grants and contracts and the completion of SF269's in both Grant and Contract Services (GCS) and the Controller's Office. This turnover had a significant impact on the closeout process. In addition, as WHOI uses provisional rates for many project costs such as shop services, technical assistance, and copy costs, final project costs cannot be determined until the fiscal year in which the project is completed has been closed. The WHOI fiscal year ends on December 31 and provisional rates are generally finalized by the end of January the following year. Thus, some ONR awards that expire prior to December 31 cannot be completed within the 90 days unless there are no costs with provisional rates. WHOI is working with ONR to develop a mechanism to submit the SF-269 on these awards within 30 days of the close of the fiscal year in which the federal award is completed.

However, during the audit all remaining 269's for awards that ended on or before 12/31/04 have been completed. WHOI will continue to ensure that the 269's are submitted on a timely basis utilizing the following procedure:

The ONR grant status listing will be reviewed monthly in GCS to determine SF269's that need to be completed. After determining that all issues such as encumbrances and provisional rates are handled properly, GCS will forward a list to the Controller's Office of those awards that are ready for SF269 completion. The Controller's Office will verify the total costs incurred and payments received.

Once the 269's are processed, they will be returned to GCS to be submitted along with other closeout documents to the Administrative Contracting Office in Boston, MA.

WHOI's Updated Response:

Action Planned/Taken:

WHOI held preliminary discussions with ONR regarding changing our methodology of charging out service centers regarding provisional rates. The communication is on going due to other audit obligations. G&CS has during the year communicated to the Controller's Office those awards that are ready for SF269 completion per Linda Church in General Accounting.

If you have any questions regarding the responses above, or require further information, please contact Laurie Murphy at (508)289-2366.

Sincerely,



Laurie Murphy
Assistant Controller

cc: Peter McGowan, DCAA
David Stephens, Controller



Laurie Murphy
Assistant Controller

Woods Hole Oceanographic Institution

Challenger House, MS #14
Woods Hole, Massachusetts 02543

September 29, 2006

David Blake
Defense Contract Audit Agency
Boston Branch Office
495 Summer Street, Suite 336
Boston, MA 02210

David,

Below are the management responses of WHOI's OMB Circular A-133 audit
Fiscal Year 2005:

05-A Grant No. N00014-00-10256 - WHOI Project No. 13025600

Management Response

WHOI concurs with the adjustment of \$34,000 in equipment charged to WHOI Project No. 13025600. As the award is in a closed status repayment will be made payable to the United States Treasury sent to the attention of Eric Garfield, Contract Specialist ONR.

The Assistant Controller will communicate with Grants and Contract Services as well as the Department Administrators and Department Administrative Assistants to ensure only allowable and allocable costs are charged to projects. In addition it will be reiterated that costs must only be charged during specified funding periods. The communication will entail e-mail as well as attending department meetings before year end.

05-B. Contract No. DACA72-01-C-0011 and Grant No. NA04NMF4720405

Management Response

WHOI concurs with the adjustment of \$5,725 in equipment charged to WHOI Project No. 49001100 as well as \$3,775 in equipment charged to WHOI Project No. 24040500. WHOI will adjust the billings for these federal awards by removing the questioned costs.

WHOI will work to develop a procedure to accurately allocate costs when a purchase is made relating to more than one project. When completed the procedure will be included with the communications to WHOI departments before year end.

05-C. Contract No. DACA72-01-C-0011 - WHOI Project No. 49001100

Management Response

WHOI concurs with the adjustment of \$2,177 in airfare costs charged to WHOI Project No. 49001100. WHOI will adjust the billings for the federal awards by removing the questioned costs.

The Assistant Controller will meet with Department Administrators and Department Administrative Assistants regarding time card and travel allocations before year end.

05-D. Grant No. N00014-03-10736 - WHOI Project No. 13073600

Management Response

WHOI concurs with the adjustment of \$2,800 in outside services charged to WHOI Project No. 13073600. As the award is in a closed status repayment will be made payable to the United States Treasury sent to the attention of Eric Garfield, Contract Specialist ONR.

The Assistant Controller will communicate with Grants and Contract Services as well as the Department Administrators and Department Administrative Assistants to ensure only allowable and allocable costs are charged to projects. In addition it will be reiterated that costs must only be charged during specified funding periods. The communication will entail e-mail as well as attending department meetings before year end.

05-E. Lab Overhead Cost Center 53195 Martha's Vineyard Coastal Observatory (MVCO)

Management Response

No corrective action is planned. WHOI continues to believe that prior communication and approval (since 2003) from Debbie Rafi, Director, Indirect Cost Branch, ONR regarding acceptance of WHOI's accounting treatments for MVCO overhead support was sufficient. WHOI has been proactive in communicating their intentions regarding the overhead support.

It is the auditors position the cost impact is \$43,093 of additional costs allocated to the government. That premise is based on the fact that two government awards having MVCO costs allocated to them were over run at the end of 2005. It should be noted that both government awards 15481400 and 13062501 which the auditor listed as over run had sufficient funds at the beginning of 2005 to absorb the full costs of the service center had this agreement not been made prior to the beginning of the year. WHOI does not feel it's proper to make an adjustment at the close of the year after this treatment had been agreed to and award funds had been fully spent. In fact, had the agreement not been made the \$35,216 for 15481400 and \$11,793 for 13062501 totaling \$46,955 would have been allowable costs on both the awards.

The audit opinion states the true cost impact is as follows:

66,507	Government portion of overhead
Less <u>23,414</u>	Gov't projects allocated MVCO not over run at
the end of 2005	
43,093	

However, the true cost impact including costs allocated to 15481400 and 13062501 is:

66,507	Government portion of overhead
Less <u>23,414</u>	Gov't projects allocated MVCO costs not over
run end of 2005	

43,093	
Less <u>46,955</u>	Gov't projects allocated MVCO costs not
overrun at start of 2005	
<u>(3,862)</u>	

Therefore the government saved \$3,862 using the agreed to method.

05-F. MBL/WHOI Library

Management Response

WHOI concurs that we should enter into a formal written agreement with MBL regarding the MBL/WHOI library. This information has been communicated to the Acting Director as well as the VP for Academic Programs. In early 2007 a written agreement will be established which will include appropriate cost participation and services provided.

Contact Person:


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