

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION  
DAMAGE ASSESSMENT, REMEDIATION, AND RESTORATION PROGRAM**

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**OFFICE OF GENERAL COUNSEL FOR NATURAL RESOURCES  
FISCAL YEAR 2009 INDIRECT COST RATE**

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OFFICE OF GENERAL COUNSEL FOR NATURAL RESOURCES  
FISCAL YEAR 2009 INDIRECT COST RATE**

Cotton & Company LLP is under contract with the National Oceanic and Atmospheric Administration (NOAA) to develop an indirect cost rate for recovering Office of General Counsel for Natural Resources (GCNR) indirect costs incurred for restoration of injured natural resources.

The purpose of this report is to provide GCNR with the results of Cotton & Company's review of Fiscal Year (FY) 2009 costs and development of an indirect cost rate. This document presents GCNR's FY 2009 indirect cost rate and explains the methodology we used. The rate is presented in the Exhibit, with supporting schedules detailing costs by task and by object class. This rate will be used to determine indirect damage assessment and restoration costs allocable to specific cases for cost-recovery purposes.

### **BACKGROUND**

NOAA has statutory authority to protect and restore the nation's coastal and marine resources. This authority includes the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); Oil Pollution Act of 1990; Federal Water Pollution Control Act; and National Marine Sanctuaries Act. These laws provide for recovery of costs to restore natural resources and their services injured by potentially responsible parties.

To fulfill its responsibility under this legislation as a natural resource trustee, NOAA established the Damage Assessment, Remediation and Restoration Program (DARRP). DARRP's mission is to assess damages and restore injuries to marine and coastal resources resulting from hazardous substance and oil spills as well as ship groundings caused by responsible parties. This mission is accomplished through the conduct of Natural Resource Damage Assessments (NRDA). DARRP is comprised of three NOAA component organizations: Office of Response and Restoration (OR&R) within the National Ocean Service; GCNR; and Restoration Center (RC) within the National Marine Fisheries Service.

### **FINANCIAL MANAGEMENT SYSTEM**

GCNR costs reside in the NOAA financial management system, Commerce Business Systems (CBS). CBS identifies costs by financial management centers (FMC), task codes, and object classification codes. FMCs are groups of organizations that control funding activities. GCNR's FY 2009 costs were accumulated under FMC 102 (Office of General Counsel).

DARRP organizations assign each NRDA case, as well as other projects and activities, with one or more unique task codes. GCNR tracks both labor and nonlabor costs by task code. Object classification codes identify the type of cost (such as salaries, travel, and contracts).

GCNR uses task codes to accumulate its indirect costs associated with DARRP. These are costs for general and administrative activities that support, sustain, or enhance the DARRP mission. Examples of such activities include:

- Employee recruiting and training.
- General budget formulation, monitoring, analysis, and reporting.
- Non-case-specific management and staff meetings on administrative matters.
- General cost accounting, computer support, and secretarial support.
- General records management and database support.

- General program policy and development.
- Spill response readiness.
- Techniques and methods development.

NOAA applies internal burden (overhead) rates to labor costs in CBS to recover agency overhead from each FMC for leave, benefits, and management and support costs. NOAA overhead rate components and bases of application follow:

- **Leave Surcharge** is applied to labor costs and includes costs for administrative, annual, and sick leave.
- **Personnel Benefits** is applied to labor and leave costs. This includes payroll taxes, civil service retirement, health benefits, life insurance, regular employer retirement contributions, Federal Insurance Contributions Act payments, and Federal Retirement Service thrift savings plan basic and matching contributions.
- **NOAA Administrative Support** is applied to labor and leave costs. It includes costs incurred by NOAA's executive, line, and other supporting offices. These costs are associated with administrative functions such as personnel, training, procurement, telecommunications, operations, storage, mail, housekeeping, and other common services.

#### **INDIRECT COST ALLOCATION METHODOLOGY**

We developed the indirect cost rate methodology using generally accepted accounting principles, Cost Accounting Standards, and Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government. The following principles are inherent in this allocation method:

- The costing methodology for identifying and allocating costs as direct or indirect is consistently applied.
- The allocation base that best approximates benefits accruing to cost objectives is selected.
- All items properly included in the allocation base are included and receive their share of indirect costs.
- Indirect costs are assigned to cost objectives on a cause-and-effect basis or by allocating on a reasonable and consistent basis.

To develop the indirect cost rate, we:

- Obtained an understanding of GCNR procedures for documenting DARRP costs, including its financial management system and business practices.
- Obtained downloads of FY 2009 GCNR cost transactions and performed tests to verify the completeness and accuracy of these downloads.
- Identified costs incurred on DARRP tasks with the assistance of GCNR personnel.
- Identified DARRP task codes as either direct or indirect and accumulated related costs in these categories.

In addition, we adjusted costs as necessary to ensure the accuracy and completeness of the indirect cost pool and base. Adjustments to GCNR costs are described below:

- Labor cost downloads did not include NOAA internal burden charges. We applied applicable NOAA leave and benefit rates to both direct and indirect labor costs. We applied NOAA support and General Services Administration (GSA) rent rates to indirect labor for inclusion in the indirect cost pool.
- We excluded from the indirect cost pool all GCNR tasks that did not benefit the DARRP program, or for which the benefit to the DARRP program could not be measured. To the extent that management and support costs were allocable to these tasks, we excluded those costs from the indirect cost pool.
- We excluded from the indirect cost pool and base, all costs allocable to the National Marine Sanctuaries Program (NMSP). Beginning in FY 2009, GCNR will develop a separate indirect cost rate for NMSP cost recovery actions.

SFFAS No. 4, Paragraph 124, states that costs should be allocated using one of the following three methods:

1. Directly tracing costs (wherever economically feasible).
2. Assigning costs on a cause-and-effect basis.
3. Allocating costs on a reasonable and consistent basis.

It is not practical or feasible to directly assign DARRP indirect costs to final cost objectives. We consider direct labor costs an appropriate base for allocating DARRP indirect costs to benefiting activities. We calculated the FY 2009 indirect cost rate with direct labor costs as a base.

We performed our work in accordance with *Statements on Standards for Consulting Services* promulgated by the American Institute of Certified Public Accountants. We did not review or evaluate NOAA's internal burden rates. Because the indirect cost allocation methodology used to develop the indirect cost rate does not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on GCNR's financial statements or its indirect cost rate. This report relates only to the accounts and items specified in the attached exhibit and schedules and does not extend to any financial statement of NOAA.

The information contained in this report is intended solely for the purposes described in the first section of this report and should not be used for any other purpose.

COTTON & COMPANY LLP



Colette Y. Wilson, CPA  
Partner

**OFFICE OF GENERAL COUNSEL FOR NATURAL RESOURCES  
FISCAL YEAR 2009 DARRP INDIRECT COST RATE**

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Indirect Costs	\$1,150,475
Less: Indirect Costs Allocable to Other Activities	<u>(184,116)</u>
Net Indirect Costs (DARRP)	<u>\$966,359</u>
Direct Labor Costs (DARRP)	<u>\$1,151,454</u>
Indirect Cost Rate	<u>83.93%</u>

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SCHEDULE 1

OFFICE OF GENERAL COUNSEL FOR NATURAL RESOURCES  
FISCAL YEAR 2009 COSTS BY TASK CODE

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
G8K3N03PGD	General Management & Admin Support			\$751,729	\$751,729
G8K3N03PDM	DARRP Management & Admin Support			179,578	179,578
G8K3N03PDT	DARRP Training			83,941	83,941
G8K3N03PGW	General Training & Non-Case Workshops			45,453	45,453
G8K3N03PDP	DARRP Program Policy And Development			39,762	39,762
G8K3N03PGR	General Research & Methods Development			27,190	27,190
G8K3N03P99	ORR -Coastal Preservation & Restoration-Cost Adjustment CPRD			5,466	5,466
F8K3N03PDM	DARRP Management & Admin Support			5,398	5,398
G8K3N03PFF	General FOIA Response			5,159	5,159
G8LAH1AP00	DARRP General Support			2,161	2,161
G8P5BRGD00	GCNR Desktop Management			1,758	1,758
F8K3N03PGD	General Management & Admin Support			1,074	1,074
G8K3ENAP00	NRDA Management And Admin Support (GCNR)			412	412
G8K3ENAN00	NRDA Management And Admin Support			397	397
G8K3N03P00	ARD General All Regions			322	322
G8K3E01P01	DAC General Administrative Support-Waste Sites			244	244
G8K3RAPP01	General Management and Administrative Support			235	235
F8K3ENAP00	NRDA Management And Admin Support (GCNR)			116	116
G8K3E01P00	DAC General Administrative Support-Waste Sites			76	76
G8P5BRGN00	GCNR Desktop Management			4	4
G8K3N03PMC	Miscellaneous DARRP Case Charges	\$188,064	\$32,480		220,544
17K3EF8P00	Athos	91,543	15,856		107,399
G8K3N03P3R	Portland Harbor Trustee	66,168	13,705		79,873
G8K3N03P7Y	Duwamish River, WA General	58,118	9,847		67,965
G8K3N03PBN	Diamond Alkali Trustee	57,697	9,845		67,542
17K3EG3P00	Buzzards Bay/Bouchard 120 Oil Spill	54,948	9,330		64,278
17K3EK1P00	SF Bay, Cosco Busan Oil Spill, CA	41,002	6,997		47,999
G8K3N03PEV	Exxon Valdez, AK, Trustee Council	37,076	6,266		43,342
2CK3L32P00	Commencement Bay Settlement	34,713	5,868		40,581
G8K3N03P27	Palmerton Zinc Trustee	31,899	5,393		37,292
1CK3G25P00	Portland Harbor - Phase I - A 2008	30,304	7,561		37,865
G8K3N03PKH	Bayou Verdine Trustee	23,279	3,939		27,218
G8K3N03P84	Hudson River Trustee	21,734	6,858		28,592
17K3EE2P00	Evergreen/Cooper River, Charleston, SC NRD	20,131	3,412		23,543
G8K3N03PLS	GAF Corp, NJ	19,399	3,279		22,678
1CK3G27P00	Passaic - Cooperating 21 Companies Agreement	18,094	3,123		21,217
G8K3N03PRB	Duwamish River NRD Seattle/Bluefields	17,441	2,952		20,393
2CK3LNBP00	New Bedford Harbor Restoration	15,574	2,678		18,252
G8K3N03P9B	Allied/Kalamazoo Trustee	15,315	2,590		17,905
G8K3N03PY5	Duwamish River, WA, NRD, Boeing	14,650	2,761		17,411
G8K3N03PCG	Citgo-FOIA	14,592	2,466		17,058
G8K3N03PSM	St. Lawrence River at Massena, NY	14,425	2,637		17,062

<b>Task Code</b>	<b>Task Code Description</b>	<b>Direct Labor Costs</b>	<b>Other Direct Costs</b>	<b>Indirect Costs</b>	<b>Total</b>
G8K3N03PCM	Commencement Bay	12,258	2,073		14,331
G8K3N03PHY	Commencement Bay, WA	10,860	1,895		12,755
2CK3L02PZZ	Exxon Bayway	10,411	1,769		12,180
G8K3N03PXT	Citgo Litigation Support	9,614	2,658		12,272
17K3EF5P00	Cape Flattery	9,336	2,288		11,624
G8K3N03P61	NL Industries, Inc., NJ	9,163	1,549		10,712
2CK3M32P00	Commencement Bay	8,571	1,448		10,019
17K3EH4P00	Castro Cove/ChevronRichmond CA, NRD Reimbursable	8,304	1,714		10,018
17K3EL2P00	SF Bay, Richmond Terminal 4 Oil Spill, CA NRDA	7,895	1,303		9,198
17K3EE5PDA	T/V Margara, Tallaboa, PR	7,601	1,309		8,910
17K3EL5P00	Barge DM932-New Orleans-LA Oil Spill	6,395	1,084		7,479
G8K3N03PX1	LCP Honeywell	6,332	1,072		7,404
G8K3N03PGB	Greens Bayou	6,199	1,050		7,249
G8K3N03PMS	Malone Services Inc, Texas City, TX	6,040	1,020		7,060
G8K3N03P6L	Koppers-Chs Trustee	5,624	953		6,577
2CK3L88PEW	Mulberry Estuarine Wetland Project	5,531	935		6,466
2CK3M8AP00	Msrp Trustee Council Operating Budget	5,412	916		6,328
G8K3N03PTF	Comm Bay, WA, NRDA - Thea Foss	5,321	899		6,220
1CK3G11P03	Portland Harbor-Willbridge Cove	5,282	892		6,174
17K3ED5P00	San Mateo Mystery Oil Spill	5,059	858		5,917
17K3ED3P00	Mosquito Bay Oil Spill Reimbursable	5,016	848		5,864
1CK3G26P00	Passaic NRDA - Effort Funded	4,990	869		5,859
G8K3N03PMW	Comm Bay NRDA - Hylebos, Murray Pacific	4,778	822		5,600
1CK3G11P02	Portland Harbor-Injury Assessment Plan/City of Portland	4,340	1,367		5,707
17K3EJ6P00	Citgo, LA Calcasieu River	4,245	1,620		5,865
G8K3N03PKJ	Bayou D'Inde	4,182	707		4,889
G8K3N03P25	Kerr Mcgee Chem Co	3,669	621		4,290
1CK3G10P00	NPRD River Restoration	3,195	540		3,735
G8K3N03PNA	Nassco/Southwest Marine Ship Yard, CA	3,123	528		3,651
G8K3N03PL2	Atlantic Wood Industries, Inc.	3,096	523		3,619
17K5BGCP00	Green Chile	3,022	511		3,533
G8K3N03PZ6	North Ryan Trustee	2,915	492		3,407
17K3EJ3P00	TB DBL 152, LA	2,782	470		3,252
G8K3N03P9F	L.A. Clarke & Son, VA, NRD	2,682	454		3,136
G8K3N03PPS	Duwamish River, NRD, Port of Seattle	2,610	442		3,052
G8K3N03P1B	Roanoke River/Albermarle Sound	2,576	435		3,011
G8K3N03PC7	Berry's Creek	2,556	432		2,988
G8K3N03PSS	Selby Slag	2,514	425		2,939
G8K3N03PC1	Cosco Buson Litigation Support	2,494	421		2,915
17K3EH9P00	Casitas Grounding	2,466	416		2,882
G8K3N03PV1	Cargill Tampa Bay, FL	2,439	413		2,852
G8K3N03PBT	Bayou Trepagnier	2,397	405		2,802
G8K3N03PXM	Exxon Mobil, Charleston, SC	2,346	397		2,743
2CK3M11P00	Nautilus Restoration	2,334	394		2,728
G8K3N03PDH	Dupont Hay Road Restoration, DE	2,299	388		2,687
G8K3N03P2J	CB/NT Hylebos	2,139	362		2,501
2CK3LTUP00	Tulalip Restoration	1,968	333		2,301
G8K3N03PDK	Duwamish River NRD Seattle - King County	1,654	280		1,934



<b>Task Code</b>	<b>Task Code Description</b>	<b>Direct Labor Costs</b>	<b>Other Direct Costs</b>	<b>Indirect Costs</b>	<b>Total</b>
G8K3N03P15	Nyanza Restoration	1,494	252		1,746
G8K3N03PCN	North Cape Oil Spill, RI	1,484	251		1,735
G8K3N03P21	G.E. Pittsfield	1,467	248		1,715
G8K3N03PDS	Star Lake Lodge, TX	1,355	230		1,585
17K3EF9P00	Selendang	1,320	223		1,543
G8K3N03PMF	Suisun Bay	1,313	222		1,535
17K3EK6P00	Dalco Passage, Conoco	1,218	206		1,424
G8K3N03PHF	Hanford	1,209	204		1,413
G8K3N03P07	Industrialplex, MA NRD	1,134	192		1,326
G8K3N03PSR	Star Lake Canal	1,018	172		1,190
G8K3N03PRM	Island End River	1,013	171		1,184
G8K3N03P5K	Kalamazoo Litigation Support	963	163		1,126
2CK3L69PBU	Tampa Bay Beach Use	909	153		1,062
2CK3L1BP00	Olympic Pipeline (Whatcom) Settlement	841	162		1,003
G8K3N03PB1	Ciba-Geigy, Mcintosh	835	140		975
G8K3N03PNM	Macalloy Corporation	834	141		975
2CK3L26P00	Spectron Restoration	682	115		797
G8K3N03PGZ	Cornell-Dublier, NJ	586	99		685
17K3EJ5P00	Bermuda Island, Delaware Bay	581	98		679
2CK3L10PZZ	Apex Galveston Bay	548	93		641
G8K3N03PSZ	SF Bay Zenega	522	88		610
17K3EC5P00	Indian River Oil Spill Reimbursable	514	87		601
G8K3N03P5M	Litigation GM Messena	507	85		592
2CK3L42P00	Lavaca Bay Settlement	499	84		583
2CK3L89P00	Julie N	448	76		524
2CK3L38P00	Liberty Industrial	446	74		520
G8K3N03PCK	Piles Creek NRDA, NE	385	65		450
G8K3N03PNB	New Bedford Brownfield	378	64		442
G8K3N03PDU	Dupont Beaumont Region 6	372	62		434
G8K3N03PX6	Halaco Engineering	335	57		392
G8K3N03P46	Ashtabula Trustee	334	57		391
1CK3G13P00	Chevron	294	50		344
17K3EK8P00	Katrina, LA - Modeling Workgroup	246	42		288
G8K3N03PW7	Newtown Creek Oil Spill	170	29		199
17K3EK5P00	Crystal Mountain	167	28		195
17K3EL4P00	Mystery Tar Balls, South Padre Island, TX	167	28		195
2CK3L42PZZ	Lavaca Bay	155	26		181
2CK3M69PEP	Tampa Bay	155	26		181
G8K3N03PW2	Wyckoff Facility	152	26		178
G8K3N03PH3	Raymark	147	24		171
G8K3N03PBR	Buffalo River	139	24		163
G8K3N03PKL	Katrina, LA	131	23		154
2CK3L69P00	Tampa Bay	126	21		147
2CK3MCMP00	Cape Mohican Restoration	124	966		1,090
G8K3N03P3C	Koppers Trustee	114	19		133
G8K3N03PTB	Washington Gas & Light	114	19		133
G8K3N03PL7	Halby Chemical Trustee	104	17		121
2CK3L25P00	Lordship Point Settlement	99	17		116

<b>Task Code</b>	<b>Task Code Description</b>	<b>Direct Labor Costs</b>	<b>Other Direct Costs</b>	<b>Indirect Costs</b>	<b>Total</b>
G8K3N03PA5	Rose Hill Landfill	99	17		116
17K3EE4P00	NRDA Conoco Phillips	79	14		93
G8K3N03PAC	Ashepoo Conoco	76	17		93
G8K3N03P2F	Tulalip Landfill	76	12		88
G8K3N03PYQ	Calhoun Park	76	12		88
F8K3N03PMS	Malone Services Inc, Texas City, TX	68	12		80
2CK3LTVP00	TV Command	67	12		79
G8K3N03PB3	Tex Tin	66	11		77
F8K3N03PDS	Star Lake Lodge, TX	62	10		72
G8K3N03P68	6th Street Dump Trustee	58	10		68
17K3EB9P00	Beaver Creek Oil Spill	56	9		65
17K3EK3P00	Barataria Bay, Exxon Mobil, LA	56	9		65
17K3EJ8P00	International Petroleum Corp., Christina River Oil Spill, DE	53	9		62
2CK3L88PRR	Mulberry Riverine	52	9		61
2CK3L33P00	Dalco Passage	39	7		46
G8K3N03PSI	Sudden Impulse Boys Scout	38	7		45
2CK3L87PZZ	Dutch Harbor	28	5		33
G8K3N03PC2	Chalk Point Oil Spill	28	5		33
G8K3N03PX4	Sheboygan Harbor & River	<u>28</u>	5		33
F8K3N03P9B	Allied/Kalamazoo Trustee		378		378
F8K3N03P3R	Portland Harbor Trustee		(248)		(248)
2CK3MH1P42	Exxon Valdez, AK		(2,881)		(2,881)
<b>Total</b>		<b><u>\$1,151,454</u></b>	<b><u>\$206,603</u></b>	<b><u>\$1,150,475</u></b>	<b><u>\$2,508,532</u></b>

SCHEDULE 2

OFFICE OF GENERAL COUNSEL FOR NATURAL RESOURCES  
FISCAL YEAR 2009 COSTS BY OBJECT CLASS

Object Class	Object Class Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
1112	General Schedule, General Merit, Senior Executive Service and Presidential Appointees	\$739,791		\$597,581	\$1,337,372
1160	Leave Surcharge Full-Time Permanent Appointments	155,978		126,635	282,613
1180	Credit Hours Earned	17,187		17,690	34,877
1181	Credit Hours Earned	51		1,781	1,832
1182	Compensatory Leave Earned	182		30	212
1210	Employer's Contribution Surcharge	238,265		192,642	430,907
2140	Expenses Related to Domestic Travel - Paid to Traveler		\$5,468	27,868	33,336
2143	Expenses Related to Domestic Travel - Paid to Vendors		5,730	992	6,722
2213	All Other Transportation of Things		45	1,106	1,151
2319	Rental Payments to GSA		82,164	66,771	148,935
1209	Temporary Quarters			2,613	2,613
2336	Telecommunications Data/Network Services			692	692
2337	Telecommunications (Utility) FTS Services			1,290	1,290
2411	Publications			17	17
2526	Other Training by University or Other Non-Federal Source			325	325
2527	Miscellaneous Contractual Services Not Otherwise Classified			10,169	10,169
2533	Training by Office of Personnel Management and Other Federal Agencies			85	85
2618	Purchases of ADP Supplies			432	432
2619	Purchases (All Other)			4,031	4,031
2628	General Office Supplies			539	539
3120	Non-Capitalized Equipment			2,187	2,187
3123	Non-Capitalized ADP and Telecommunications Equipment			2,987	2,987
4301	Penalty Payments for Prompt Payment Act			17	17
9876	General Support (NOAA)		113,196	91,995	205,191
	<b>Total</b>	<b>\$1,151,454</b>	<b>\$206,603</b>	<b>\$1,150,475</b>	<b>\$2,508,532</b>