

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

**OFFICE OF GENERAL COUNSEL FOR NATURAL RESOURCES
FISCAL YEAR 2010 INDIRECT COST RATE**



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**GENERAL COUNSEL FOR NATURAL RESOURCES
FISCAL YEAR 2010 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 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) 2010 costs and development of an indirect cost rate. This document presents GCNR's FY 2010 indirect cost rate and explains the methodology we used. The rate is presented in the exhibit followed by 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; 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 within the National Ocean Service; Restoration Center within the National Marine Fisheries Service, and GCNR.

FINANCIAL MANAGEMENT SYSTEM

GCNR's costs reside in NOAA's 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 2010 costs were accumulated under FMC 102 (the 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 non-labor 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.
- 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 2010 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 administrative support and General Services Administration (GSA) rent rates to indirect labor costs 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). GCNR develops 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 2010 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

A handwritten signature in blue ink that reads "Colette Y. Wilson". The signature is written in a cursive, flowing style.

Colette Y. Wilson, CPA
Partner

EXHIBIT

GENERAL COUNSEL FOR NATURAL RESOURCES
FISCAL YEAR 2010 DARRP INDIRECT COST RATE

Indirect Costs	\$984,917
Less:	
Management and Support Costs Allocable to Non-Direct Activities	(151,305)
Management and Support Costs Allocable to NMSP Activities	(809)
Net Indirect Costs	<u>\$832,803</u>
Direct Labor Costs*	<u>\$1,682,800</u>
Indirect Cost Rate	<u>49.49%</u>

* Direct labor base excludes object class 1157.

SCHEDULE 1

**GENERAL COUNSEL FOR NATURAL RESOURCES
FISCAL YEAR 2010 DARRP COSTS BY TASK CODE**

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
H8K3N03PGD	General Management and Administrative Support			\$596,651	\$596,651
H8K3N03PDM	DARRP Management and Administrative			222,195	222,195
H8K3N03PDP	DARRP Program Policy and Development			52,055	52,055
H8K3N03PGW	General Training and Non-case Workshops			46,644	46,644
H8K3N03PGR	General Research and Methods Development			13,940	13,940
H8K3N03PDT	DARRP Training			13,516	13,516
H8K3N03P00	CPRD Base			10,228	10,228
H8K3N03PFF	General FOIA Response			7,131	7,131
G8K3N03PDM	DARRP Mgmt and Admin Support			2,454	2,454
H8K3RH2P00	Headquarters - Habitat (54%)			2,023	2,023
H8P5BRGN00	GCNR Telecom			940	940
G8K3N03PGD	General Management and Administrative Support			599	599
H8K3N03P9B	Coastal Protection and Restoration			15,877	15,877
H8K3ENAN00	NRDA Management and Administrative Support			489	489
H8K3N03PBP	OR&R Coastal Preservation and Restoration			477	477
G8K3RAPP01	General Management and Administrative Support			143	143
G8K3E01P01	Waste Sites General Damage Assessment			122	122
G8K3E01P00	DAC General Administrative Support - Waste Sites			27	27
G8K3ENAN00	NRDA Management and Administrative Support			(90)	(90)
H8K3ENAP00	NRDA Management and Administrative Support			(504)	(504)
17K3EM6P00	Deepwater Horizon Incident	\$815,350	\$175,729		991,079
H8K3N03PMC	Miscellaneous DARRP Case Charges	151,482	25,711		177,193
H8K3N03P7Y	Duwamish River Oversight Trustee	63,391	17,142		80,533
2CK3L32P00	Commencement Bay Settlement	41,595	7,038		48,633
17K3EF8P00	Athos	39,202	6,665		45,867
H8K3N03PEV	Exxon Valdez	36,795	6,220		43,015
17K3EG3P00	Buzzards Bay/Bouchard 120 Oil Spill	34,235	5,787		40,022
H8K3N03P3R	Portland Harbor	33,613	11,079		44,692
17K3EK1P00	SF Bay, Cosco Buson Oil Spill	31,206	5,218		36,424
H8K3N03PKH	Bayou Verdine Trustee	27,330	4,622		31,952
1CK3G25P00	Portland Harbor - Phase 1	25,639	4,652		30,291
1CK3G11P01	City of Portland Harbor	17,758	3,003		20,761
H8K3N03PKJ	Bayou D'Inde	16,282	2,752		19,034
17K3EL7P00	Dubai Star Oil Spill	15,419	3,194		18,613
H8K3N03PBN	Trustee DA	13,211	2,266		15,477
H8K3N03P5M	Litigation GM Messena	13,209	2,056		15,265
1CK3G29P00	Portland Harbor Phase II	12,372	2,066		14,438
H8K3N03PRB	Duwamish River	11,460	1,938		13,398
2CK3LNBP00	New Bedford Harbor Restoration	10,119	1,710		11,829
17K3EF5P00	Cape Flattery	9,951	4,060		14,011
H8K3N03PY5	Duwamish River	9,898	1,721		11,619
1CK3G27P00	Passaic - 21 Companies Future Restoration	9,553	1,814		11,367
17K3EL2P00	Port Of Richmond, Terminal 4	9,306	1,453		10,759

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
H8K3N03PMS	Malone Services, Inc.	8,852	4,098		12,950
17K3EE2P00	Evergreen/Cooper River,Charleston,SC NRD	8,594	1,458		10,052
17K3ED5P00	San Mateo Luckenbach Oil Spill	8,408	1,422		9,830
H8K3N03P84	Hudson River Trustee	8,391	1,419		9,810
H8K3N03PMW	Commencement Bay NRDA	8,091	1,367		9,458
H8K3N03P6L	Koppers - CH Trustees	6,832	2,109		8,941
2CK3L88PEW	Mulberry Estuarine Restoration Project	6,572	1,111		7,683
H8K3N03PX1	LCP Honeywell	6,502	3,957		10,459
H8K3N03P9F	L.A. Clarke & Son, VA, LTD	6,482	1,099		7,581
17K3EM4P00	Enbridge Energy K'Zoo Oil Spill	6,084	1,046		7,130
H8K3N03P25	Kerr McGee Chemical Company	5,962	1,008		6,970
H8K3N03P5K	Kalamazoo Litigation Support	5,726	968		6,694
1CK3G10P00	NPRD River Restoration	5,725	968		6,693
17K3EL8P00	T/V Port Stewart, Yabucoa, PR	5,723	968		6,691
H8K3N03PTF	Commencement Bay, WA, NRDA	5,648	964		6,612
17K3EH4P00	Chevron	5,046	861		5,907
2CK3L02PZZ	Exxon Bayway	4,927	833		5,760
H8KDHERPWH	Deepwater Horizon FOIA	4,734	800		5,534
2CK3L11P00	B.T. Nautilus Settlement	4,721	799		5,520
17K3EJ3P00	LA TB DBL 152	4,566	772		5,338
H8K3N03P05	Grand Cal/Mtl Bk	4,377	740		5,117
H8K3N03PCM	Commencement Bay	4,233	716		4,949
H8K3N03PHR	Hudson River PCBs	3,951	668		4,619
1CK3G11P03	Willbridge cove	3,840	1,346		5,186
17K3EE5PDA	Damage Assessment, NRDA	3,809	644		4,453
H8K3N03PCK	Piles Creek,NRD	3,576	604		4,180
H8K3N03PB1	Ciba Geigy	3,529	599		4,128
17K3EJ6P00	Citgo, LA Calcasieu River	3,396	574		3,970
H8K3N03PHF	Hanford	3,292	556		3,848
17K3EM1P00	Adak Oil Spill, Alaska	3,290	556		3,846
H8K3N03PXT	Citgo Litigation Support	3,148	532		3,680
2CK3M8AP00	MSRP Trustee Council Operating Budget	3,063	518		3,581
H8K3N03PV1	Cargill Tampa Bay	2,913	492		3,405
H8K3N03PSM	St. Lawrence River	2,891	1,772		4,663
H8K3N03PGB	Green's Bayou	2,887	493		3,380
H8K3N03PX4	Sheboygan Harbor	2,683	455		3,138
2CK3LB5P00	Kalamazoo River Damage Assessment	2,678	452		3,130
H8K3N03P1B	Roanoke River - Ablemarle Sound	2,645	447		3,092
17K3EJ5P00	Bermuda Island, Delaware Bay, DE	2,457	415		2,872
H8K3N03PDS	Star Lake Lodge, Texas	2,324	392		2,716
2CK3L25P00	Lordship Point Settlement	2,248	380		2,628
2CK3M12P00	Rose Hill Restoration	1,885	319		2,204
H8K3N03PDH	Dupont Hay Road Restoration	1,859	314		2,173
2CK3LTUP00	Tulalip Restoration	1,853	313		2,166
H8K3N03PC6	Cosco Buson FOIA	1,781	305		2,086
H8K3N03PX6	Halaco Engineering	1,564	264		1,828
1CK3G11P02	Injury Assessment City of Portland	1,563	264		1,827
H8K3N03P07	Industrial-Plex, MA NRD	1,480	250		1,730

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
17K3EL9P00	T/V Matthew Grounding, PR	1,447	245		1,692
17K3ED3P00	Mosquito Bay Oil Spill	1,431	243		1,674
2CK3L53P00	Palmerton Zinc	1,368	231		1,599
H8K3N03P61	N L Industries	1,298	219		1,517
H8K3N03P27	Palmerton	1,263	214		1,477
H8K3N03PXM	Exxon Mobil	1,169	204		1,373
H8K3N03PCG	Citgo - FOIA	1,131	191		1,322
17K3EB9P00	Beaver Creek Oil Spill	1,097	(608)		489
H8K3N03P15	Nyanza Restoration	1,059	179		1,238
H8K3N03PMR	Massachusetts Military Reservation	1,015	172		1,187
17K3EH9P00	Casitas Grounding	990	167		1,157
H8K3N03PDY	Lower Duwamish NRD	942	159		1,101
H8K3N03PKL	Katrina, Louisiana NRDA	909	154		1,063
H8K3N03PNM	Macalloy Corporation	892	150		1,042
H8K3N03PDJ	Duwamish River NRD	775	131		906
H8K3N03PDK	Duwamish River NRD Seattle	741	300		1,041
H8K3N03PL2	Atlantic Wood Industries Inc.	699	118		817
1CK3G26P00	Passaic-Tierra Company Future Restoration	696	359		1,055
2CK3L69PBU	Tampa Bay Beach Use	653	110		763
H8K3N03PS2	San Diego Bay, CA	653	110		763
H8K3N03PC1	Cosco Buson Litigation Support	632	107		739
17K3EM3P00	Voge Trader Grounding, Oahu, HA	582	98		680
H8K3N03PPS	Duwamish River	580	692		1,272
17K3EL5P00	SE Barge DM932	549	93		642
H8K3N03PPR	Pribilof Islands Remediation - Restoration	523	88		611
H8K3N03PAB	Duwamish River, WA NRD	435	74		509
2CK3LTVP00	TV Command Settlement	421	71		492
17K3EF9P00	SELENDANG	405	69		474
1CK3G18P00	Tex Tin DARRF	376	64		440
17K3EK6P00	Dalco Passage, Conoco	288	49		337
1CK3G07P00	Bailey Waste Disposal	285	48		333
17K5BGCP00	Green Chile	285	(289)		(4)
2CK3L17P00	Raynar Settlement	228	38		266
2CK3L33P00	Dalco Passage WA	207	35		242
H8K3N03PRM	Island End River	186	31		217
H8K3N03PZ6	North Ryan Trustee	181	31		212
2CK3L38P00	Liberty Industrial Finishing	173	29		202
H8K3N03PCN	North Cape Oil Spill	162	31		193
H8K3N03PB6	Olin Corp	157	26		183
1CK3G13P00	Chevron	151	26		177
2CK3L26P00	Spectron Restoration	147	24		171
H8K3N03PDU	Dupont Beaumont	143	24		167
H8K3N03PSR	Star Lake Canal	143	24		167
H8K3N03P46	Ashtabula Trustee	116	19		135
H8K3N03PGZ	Cornell - Dubilier	115	19		134
2CK3L46PAD	Elliott Bay Settlement	114	19		133
17K3EE4P00	NRDA Conoco Phillips	94	(95)		(1)
H8K3N03PC7	Berry's Creek	86	14		100

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
H8K3N03P7B	Cold Creek, AL NRDA	79	14		93
H8K3N03PB3	Tex Tin	73	12		85
H8K3N03PLS	GAF Trustee	62	10		72
17K3EK5P00	PSE, Crystal Mountain	59	(59)		
2CK3MNBPO0	New Bedford Restoration	58	10		68
H8K3N03PW7	Newtown Creek Oil Spill	58	10		68
17K3EK8P00	Modeling Workgroup SE Region Louisiana Katrina and Other Oil Spills	56	9		65
2CK3L42P00	Lavaca Bay Settlement	53	9		62
H8K3N03PYQ	Calhoun Park/NRT	<u>27</u>	5		32
H8K3N03PKG	JEA Kennedy Generating Station		1,489		1,489
G8K3N03P3R	Portland Harbor		1,074		1,074
G8K3N03P6L	Koppers - CH Trustees		636		636
G8K3N03PMC	Miscellaneous DARRP Case Charges		451		451
H8K3N03PDN	Commencement Bay, Hylebos		54		54
2CK3MH1P42	Exxon Valdez		(1,780)		(1,780)
	Total	<u>\$1,683,694</u>	<u>\$347,754</u>	<u>\$984,917</u>	<u>\$3,016,365</u>

SCHEDULE 2

**GENERAL COUNSEL FOR NATURAL RESOURCES
FISCAL YEAR 2010 DARRP 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	\$1,028,977		\$507,965	\$1,536,942
1157	Holiday Pay	894			894
1159	Employee Cash Awards			1,666	1,666
1160	Leave Surcharge Full-Time Permanent Appointments	240,774		118,861	359,635
1181	Credit Hours Earned	24,550		21,126	45,676
1182	Compensatory Leave Earned	50,760		1,803	52,563
1210	Employer's Contribution Surcharge	<u>337,739</u>		166,731	504,470
2140	Travel and Transportation Expenses		\$38,021	14,369	52,390
2143	Expenses Related to Domestic Travel - Paid Directly to Vendors		26,370	4,847	31,217
2213	All Other Transportation of Things		(987)	727	(260)
2319	Rental Payments to GSA		116,561	58,464	175,025
2334	Rental of Equipment			370	370
2337	Telecommunications (Utility) FTS Services			(121)	(121)
2338	Telecommunications (Utility) Local Services		2,709	2,340	5,049
2527	Miscellaneous Contractual Services Not Otherwise Classified			4,274	4,274
2618	Purchases of ADP Supplies		386		386
2619	Purchases (All Other)		469	944	1,413
3123	Non-Capitalized ADP and Telecommunications Equipment		3,626		3,626
9876	General Support (NOAA)		<u>160,599</u>	<u>80,551</u>	<u>241,150</u>
	Total	<u>\$1,683,694</u>	<u>\$347,754</u>	<u>\$984,917</u>	<u>\$3,016,365</u>