

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

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**RESTORATION CENTER  
FISCAL YEAR 2010 INDIRECT COST RATE**



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## CONTENTS

<b>Section</b>	<b>Page</b>
Background	1
Financial Management System	1
Indirect Cost Allocation Methodology	2
<b>Exhibit</b>	
Fiscal Year 2010 Indirect Cost Rate	5
<b>Schedules</b>	
1 Fiscal Year 2010 Costs by Task Code	6
2 Fiscal Year 2010 Costs by Object Class	10

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Cotton & Company LLP is under contract with the National Oceanic and Atmospheric Administration (NOAA) to develop an indirect cost rate for recovering Restoration Center (RC) indirect costs incurred for restoration of injured natural resources.

The purpose of this report is to provide RC with the results of Cotton & Company's review of Fiscal Year (FY) 2010 costs and development of an indirect cost rate. This document presents RC'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; Office of General Counsel for Natural Resources; and RC within the National Marine Fisheries Service (NMFS).

**FINANCIAL MANAGEMENT SYSTEM**

RC'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. RC's FY 2010 costs were accumulated under FMC 3013 (Office of Assistant Administrator for Fisheries).

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

RC 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's 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 RC procedures for documenting DARRP costs, including its financial management system and business practices.

- Obtained downloads of FY 2010 RC cost transactions and performed tests to verify the completeness and accuracy of these downloads.
- Identified costs incurred on DARRP tasks with the assistance of RC personnel.
- Identified DARRP task codes as either direct or indirect and accumulated related costs in these categories.

In addition, we adjusted costs as follows to ensure the accuracy and completeness of the indirect cost pool and base. Adjustments to RC 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.
- I.M. Systems Group, Inc. (IMSG), a commercial contractor, performed damage assessment and restoration work that benefited RC tasks. IMSG personnel work in NOAA offices. We obtained IMSG time reports and calculated the cost of direct time spent on DARRP tasks. We included direct IMSG labor costs in the direct labor base.

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 included direct labor costs for IMSG in the base, because these costs have the same relationship to the indirect cost pool as NOAA direct labor costs.

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 RC'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, appearing to read "Colette Y. Wilson". The signature is fluid and cursive, with the first name "Colette" being more prominent than the last name "Wilson".

Colette Y. Wilson, CPA  
Partner

EXHIBIT

RESTORATION CENTER  
FISCAL YEAR 2010 INDIRECT COST RATE

Indirect Costs	<u>\$1,725,398</u>
Direct Labor Costs*	<u>\$1,908,179</u>
Indirect Cost Rate	<u>90.42%</u>

\* Direct labor base excludes costs charged to Object Classes 1151 through 1158.

**SCHEDULE 1**

**RESTORATION CENTER  
FISCAL YEAR 2010 COSTS BY TASK CODE**

<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>
H8LAH1AP00	DARRP General Support			\$ 931,492	\$ 931,492
H8LAH1APGM	General DARRP Management and Administrative Support			388,290	388,290
G8LAH1AP00	DARRP General Support			120,031	120,031
2CK3LRCP00	General DARRF Support			143,587	143,587
H8LAH1APNW	Northwest General DARRP Support			84,393	84,393
H8K3N03PDM	DARRP Management and Administrative Support			28,994	28,994
G8LAH1APGM	General DARRP Management and Administrative Support			8,760	8,760
H8LAH1APDR	DARRP Training			8,227	8,227
H8K3N03PDT	DARRP Training			4,703	4,703
H8LAH1APNE	Northeast General DARRP Support			1,775	1,775
H8LAH1AD00	DARRP General Support			1,589	1,589
F8LAH1AP00	DARP General Support			1,459	1,459
H8LAH1APSW	Southwest General DARRP Support			1,151	1,151
G8LAH1APNW	Northwest General DARRP Support			995	995
H8K3RAPP00	Damage Assessment			488	488
H8LAH1AN00	DARRP General Support – Telecom			30	30
G8LAH1AN00	DARRP General Support – Telecom			(17)	(17)
B8LAH1AP00	NMFS DARP Support			(549)	(549)
17K3EM6P00	Deepwater Damage Assessment	\$1,013,354	\$419,930		1,433,284
2CK3M8CP00	MSRP Operating Budget	187,208	482,491		669,699
2CK3LNBP00	New Bedford Harbor Settlement	182,074	55,884		237,958
H8LDHHP00	Deepwater - NMFS Wide Coordination	175,680	63,103		238,783
2CK3L32P00	Commencement Bay Settlement	57,468	19,179		76,647
2CK3L31P00	Bainbridge Is/Wyloff Eagle Harbor Settlement	37,415	15,284		52,699
2CK3LGRP00	General Portland Harbor NRD	30,549	799		31,348
17K3EF9P00	Selendang Ayu Oil Spill, Alaska NRDA	22,451	6,229		28,680
2CK3LF8P00	Duwamish, Boeing Damage Assessment	21,479	7,339		28,818
H8LAH1APAA	Infant and Orphan Cases	19,589	7,379		26,968
17K3EL8P00	T/V Port Stewart Reimbursable	18,444	5,613		24,057
2CK3LFZP00	Hudson River Damage Assessment	17,552	6,022		23,574
2CK3LGPP00	Portland Harbor Damage Assessment	16,345	6		16,351
17K3EL9P00	T/V Matthew Grounding	14,720	5,538		20,258
17K3EF5P00	Cape Flattery Grounding, Hawaii	12,970	4,460		17,430
2CK3L02PZZ	Exxon Bayway Nonrecoverable	12,739	4,568		17,307
17K3EK1P00	SF Bay, Cosco Busan Oil Spill	10,489	3,315		13,804
17K3EE5PDA	Damage Assessment, NRDA	8,750	5,419		14,169
17K3EG3P00	Buzzards Bay/Bouchard 120 Oil Spill	8,082	2,577		10,659
2CK3M8AP00	MSRP Trustee Council Operating Budget	6,985	14,426		21,411
17K3EE2P00	Evergreen/Cooper River, SC NRDA	6,770	2,163		8,933
2CK3L88PEW	Mulberry Estuarine Wetland Project	6,446	2,089		8,535
2CK3L33P00	Dalco Passage WA, Conoco Phillips Recovery	6,263	2,141		8,404
17K3EJ3P00	LATB DBL 152, LANRDA	5,976	2,045		8,021
2CK3M49P00	Luckenbach, San Mateo, Restoration	5,871	248,734		254,605



Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
2CK3LBXP00	Koppers Waste Site (Charleston)	5,801	1,327		7,128
2CK3MSCPSF	North Cape Shellfish Restoration	5,630	4		5,634
2CK3M21P00	Nyanza Restoration	5,353	1,831		7,184
17K3EM3P00	Voge Trader Grounding	5,228	1,812		7,040
2CK3LFBPBV	Calcasieu Bayou Verdine	5,061	1,757		6,818
2CK3LGPP01	Portland Harbor City Restoration Planning	4,975	1,838		6,813
2CK3MTVP00	TV Command Restoration	4,802	2,412		7,214
2CK3LB8P00	LCP Honeywell	4,736	2,227		6,963
2CK3LSCP00	North Cape Settlement	4,645	1,589		6,234
17K3N23P00	Hanford Waste Site Restoration	4,604	1,574		6,178
1RK3EE5PP0	M/V Margara	4,593			4,593
17K3EM1P00	ADAK, (Alaska) Damage Assessment	4,476	1,620		6,096
17K3EL7P00	Dubai Star Oil	4,443	1,332		5,775
17K3EH9P00	Casitas Grounding and Oil Spill In Hawaii	4,055	1,388		5,443
2CK3LFBPBD	Calcasieu Bayou d'Ubde NRDA	3,968	1,356		5,324
2CK3LG6P00	Beaumont/Dupont/Texas Damage Assessment	3,865	1,384		5,249
2CK3LG4P00	Star Lake Lodge/Texas/Damage Assessment	3,733	1,225		4,958
2CK3L46PAD	Elliott Bay Settlement (administrative charges)	3,644	1,162		4,806
2CK3LGFPUT	Washington State, Eagle Harbor, WA	3,621	1,239		4,860
17K3EJ6P00	CITGO Refinery, Calcasieu River, LA NRDA	3,601	1,145		4,746
17K3EF8P00	Anthos I, Delaware River NRDA	3,508	577		4,085
2CK3L11PZZ	B.T. Nautilus Nonrecoverable	3,385	1,158		4,543
2CK3L35P00	Hanford Waste Site Recovery	3,276	1,121		4,397
2CK3L18P00	Holyoke Gasworks	3,242	320		3,562
2CK3LF8PY5	Duwamish, Boeing NRDA	3,109	1,067		4,176
2CK3LTUP00	Tulalip Settlement	2,790	954		3,744
2CK3L38P00	Liberty	2,737			2,737
2CK3LGLP00	Malone Services, Texas Damage Assessment	2,714	924		3,638
1RK3EF8P00	Athos	2,579			2,579
2CK3LGPP03	Portland Harbor Willbridge Cove Damage Assessment	2,320	491		2,811
2CK3LBJP00	Passaic River Damage Assessment	2,303	793		3,096
2CK3L69PBU	Tampa Bay Beach Use	2,252	567		2,819
2CK3LF8PRB	Duwamish River NRD Seattle/Bluefields Damage Assessment	2,080	502		2,582
2CK3LGEP00	Palmerton Zinc, Inc.	2,072	105		2,177
2CK3M12P00	Rose Hill Restoration	1,965			1,965
2CK3M8FP00	MSRP Media/Outreach and Education	1,780	7,478		9,258
2CK3LC2PYP	Chalk Point Restoration Oyster Project	1,741	25,595		27,336
2CK3L52PZZ	Army Creek Nonrecoverable	1,721	506		2,227
2CK3LGPP10	Portland Harbor Phase II	1,619	553		2,172
2CK3LGCP00	Port of Seattle Duwamish River, NRD/Trustee Waste Site	1,581	541		2,122
2CK3L14P00	BlackBird Mine Settlement	1,562	486		2,048
2CK3L17P00	Raynar Settlement	1,556	415		1,971
2CK3LF8PDK	Duwamish Seattle King County Damage Assessment	1,534	525		2,059
2CK3LFGP00	Commencement Bay Damage Assessment	1,446			1,446
2CK3L29PZZ	Beaver Creek Nonrecoverable	1,414	484		1,898
2CK3LBYPV1	Cargill Tampa Bay Acidic Process Water Spill	1,381	471		1,852
2CK3L1BP00	Olympic Pipeline (Whatcom) Settlement	1,347	245		1,592
17K3EH4P00	Castro Cove/Chevron Texaco NRDA	1,291	249		1,540

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
2CK3LFHPGM	Hylebos General Metals Damage Assessment	1,287	273		1,560
2CK3LFZP84	Hudson River Remedial	1,285			1,285
2CK3L25P00	Lordship Point Settlement	1,180	288		1,468
17K3EL5P00	Barge DM932 New Orleans, LA Oil Spill	1,145	304		1,449
2CK3L87PZZ	Dutch Harbor (Kuroshima) Nonrecoverable	1,096	294		1,390
17K3EM4P00	Enbridge Energy Pipeline, Kalamazoo River	1,057	303		1,360
17K3EK5P00	Crystal Mountain	922	316		1,238
2CK3LBSP00	St. Lawrence Damage Assessment	904	309		1,213
2CK3LF9PTF	TheaFoss (Commencement Bay) Damage Assessment	882	85		967
2CK3L12PZZ	Rosehill Restoration Nonrecoverable	840	288		1,128
H8K3N03P3R	Portland Harbor	810	277		1,087
2CK3LG3P00	BioSciences Damage Assessment	765	263		1,028
17K3EF7P00	FOSS Barge/Pt. Wells NRDA	730	256		986
1RK3EF9P00	Selendang AYU Oil Spill, Alaska	635			635
2CK3LGNP00	QuendaleTerminals, Renton, WA	587	216		803
2CK3L21P00	Nyanza Settlement	567	194		761
2CK3MSCPLR	North Cape Lobster Restoration	491	9,629		10,120
2CK3L39P00	DuPont Hay, DE Prospective Restoration Settlement	487	16		503
17K3EK6P00	Dalco Passage, Conoco	458	157		615
2CK3LFJP00	Middle Waterway (Commencement Bay)	430			430
2CK3ML1P00	NOAA Analysis of 1994 EVOS EIS	399	136		535
2CK3M69PEP	Tampa Bay Ecological Projects Oversight	399			399
2CK3LC3PCB	Macalloy Charleston Harbor Settlement Restoration	376	129		505
2CK3M25P00	Lordship Point Restoration	373	128		501
2CK3L88PRR	Mulberry Riverine Restoration Project	363			363
2CK3LFBPW6	Roanoke River	327			327
G8LAH1APAA	Infant and Orphan Cases	318	109		427
17K3EE5P01	MV – Magara	283	98		381
2CK3LSJP01	Barge Berman Admin	238	82		320
2CK3LC2PZZ	Chalk Point Nonrecoverable	205	69		274
2CK3L44P00	Cornell Dubilier (South Plainfield, NJ) Settlement	181	62		243
2CK3LG0P01	68th Street Dump Damage Assessment	170	58		228
H8LDHF0P00	Deepwater - Federal Fish Closure Determination	145			145
2CK3M36P00	Iron Mountain Mine Restoration	142	49		191
2CK3LFHPHF	Commencement Bay Hylebos 2004 FOIA	124	42		166
H8K3N03P7Y	Duwamish River Oversight Trustee	120	42		162
2CK3L88P00	Mulberry Admin/Cord Settlement	92	32		124
2CK3LG0P00	CPRD Cases	92	32		124
2CK3LSCPSF	North Cape Shellfish Settlement	90	31		121
2CK3L88PRF	Mulberry Oyster Reef Restoration Project	77	27		104
2CK3LF8PDJ	Duwamish Jorgenson Forge Damage Assessment	72	24		96
H8K3N03P5D	Duwamish River Watershed	56			56
2CK3LF8PLW	Duwamish Lockheed Damage Assessment	48	16		64
2CK3LGKP00	Washington State, Eagle Harbor, WA	46	16		62
2CK3LSJPAR	Barge BERMAN Artificial Reef Rest Implement	30	10		40
2CK3LSJPBE	Barge BERMAN Beach Projects	30	10		40
2CK3LF8PRW	Duwamish Rhone Poulenc, Washington Damage Assessment	24	8		32
2CK3M31P00	Bainbridge Is/Wyckoff Eagle Harbor Restoration		13,920		13,920

<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>
1CK3G25P00	Portland Harbor	(1)			(1)
2CK3M8QP00	NFWF Restoration		626,408		626,408
2CK3MNBPO0	New Bedford Restoration		217,981		217,981
2CK3M06P00	Dutch Bill Creek Mitigation Settlement		85,450		85,450
2CK3MDCP00	Baywide Design Contract		76,513		76,513
2CK3M50P00	M/V Stuyvesant Oil Spill Restoration		61,318		61,318
2CK3MCMP00	Cape Mohican Restoration		44,000		44,000
2CK3M8KP00	Marine Protected Areas Restoration		24,203		24,203
2CK3L26P00	Spectron Restoration		20,332		20,332
2CK3MSJPAR	Barge BERMAN Artificial Reef Rest Implement		13,304		13,304
2CK3M8BP00	MSRP Bald Eagle Data Gap Studies		8,721		8,721
2CK3M8JP00	Wetlands Restoration		5,550		5,550
2CK3M54P00	Apex Houston Restoration		3,799		3,799
2CK3MC2PYP	Chalk Point Restoration Oyster Project		2,518		2,518
2CK3M02P00	Exxon Bayway		1,947		1,947
2CK3M26P00	Spectron		1,515		1,515
2CK3M45P00	City of Portland Harbor Restoration		219		219
2CK3M88P00	Mulberry Admin/Cord Restoration		4		4
	<b>Total</b>	<b><u>\$2,078,185</u></b>	<b><u>\$2,683,462</u></b>	<b><u>\$1,725,398</u></b>	<b><u>\$6,487,045</u></b>

**SCHEDULE 2**

**RESTORATION CENTER  
FISCAL YEAR 2010 COSTS BY OBJECT CLASS**

<b>Object Class</b>	<b>Object Class Description</b>	<b>Direct Labor Costs</b>	<b>Other Direct Costs</b>	<b>Indirect Costs</b>	<b>Total</b>
1112	General Schedule, General Merit, Senior Executive Service and Presidential Appointees	\$978,529		\$602,365	\$1,580,894
1151	Overtime	165,164		563	165,727
1157	Holiday Pay	2,654		126	2,780
1158	Hazardous Duty Pay	2,188		2,540	4,728
1159	Employee Cash Awards			1,530	1,530
1160	Leave Surcharge Full-Time Permanent Appointments	176,692		108,425	285,117
1181	Credit Hours Earned	3,795		7,429	11,224
1182	Compensatory Leave Earned	50,420		22,130	72,550
1210	Employer's Contribution Surcharge	306,357		188,358	494,715
2140	Travel and Transportation Expenses		\$114,805	39,388	154,193
2143	Expenses Related to Domestic Travel - Paid Directly to Vendors		30,836	8,381	39,217
2213	All Other Transportation of Things		1,478	2,991	4,469
2319	Rental Payments to GSA		119,620	65,067	184,687
2334	Rental of Equipment		2,034	32,061	34,095
2336	Telecommunications (Utility) Data/Network Services		936	50	986
2337	Telecommunications (Utility) FTS Services			13	13
2338	Telecommunications (Utility) Local Services		2,932	4,346	7,278
2411	Publications		12,236		12,236
2415	Other Printing Not Otherwise Identified		2,117		2,117
2510	Information Technology/ADP Training		395		395
2511	Management and Professional Support Services		196	690	886
2523	ADP and Telecommunications Contractual Services		7,500		7,500
2526	Other Training by University or Other Non-Federal Source		2,047	1,275	3,322
2527	Miscellaneous Contractual Services Not Otherwise Classified	376,634	620,570	371,796	1,369,000
2533	Training by Office of Personnel Management and Other Federal Agencies			1,250	1,250
2535	All Other Services of Federal Agencies		15,988	121	16,109
2618	Purchases of ADP Supplies		125	580	705
2619	Purchases (All Other)		22,724	1,829	24,553
2625	Office Furniture			497	497
2628	General Office Supplies		385		385
3123	Non-Capitalized ADP and Telecommunications Equipment		832	5,127	5,959
4119	Other Grants	15,752	1,270,132	8,679	1,294,563
4301	Penalty Payments for Prompt Payment Act		124	31	155
9876	General Support (NOAA)		455,450	247,760	703,210
	<b>Total</b>	<b><u>\$2,078,185</u></b>	<b><u>\$2,683,462</u></b>	<b><u>\$1,725,398</u></b>	<b><u>\$6,487,045</u></b>