

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

**RESTORATION CENTER
FISCAL YEAR 2005 INDIRECT COST RATE**

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DAMAGE ASSESSMENT, REMEDIATION AND RESTORATION PROGRAM
RESTORATION CENTER
FISCAL YEAR 2005 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 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) 2005 costs and development of an indirect cost rate. This document presents RC's FY 2005 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; Oil Pollution Act (OPA) 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: the Office of Response and Restoration within the National Ocean Service; the 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, CAMS (Commerce Administrative Management System). CAMS 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 2005 costs were accumulated under the FMC 3013 (Office of Assistant Administrator for Fisheries) and 3020 (Northeast Region, NMFS).

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 nonlabor 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.
- Spill response readiness.
- Techniques and methods development.

NOAA applies internal burden (overhead) rates to labor costs on CAMS 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 RC procedures for documenting DARRP costs, including its financial management system and business practices.
- Obtained downloads of FY 2005 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 necessary to ensure the accuracy and completeness of the indirect cost pool and base. 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.

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 2005 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 RC's financial statements or its indirect cost rate. The 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

EXHIBIT

**RESTORATION CENTER
FISCAL YEAR 2005 INDIRECT COST RATE**

Net Indirect Costs	\$1,298,549
Direct Labor Costs	\$778,952
Indirect Cost Rate	<u>166.70%</u>

Note: Direct labor base excludes object classes 1151 and 1157.

SCHEDULE 1

**RESTORATION CENTER
FISCAL YEAR 2005 COSTS BY TASK CODE**

Task Number	Task Name	Direct Labor	Other Direct Costs	Indirect Costs	Grand Total
C8LAH1AP00	General DARRP Support			\$1,237,035	\$1,237,035
2CK3MRCP00	DARRP RC General			42,738	42,738
2CK3LRCP00	General DARRF Support			10,011	10,011
C8LAH06P00	General DARRP Support			5,765	5,765
28L6R0PP00	NMFS DARRP Support			3,000	3,000
2CK3LNBP00	New Bedford Harbor Restoration Activity	\$196,339	\$27,283		223,622
2CK3L32P00	Dupont-Newport Damage Assessment	58,936			58,936
2CK3LC2PWP	Chalk Point Restoration Wetlands Project	29,262	4,540		33,802
2CK3L87PZZ	Dutch Harbor (Kuroshima) Non-recoverable	26,490			26,490
2CK3LSCP00	North Cape Settlement	22,208	1,699		23,907
2CK3M8DP00	Montrose Restoration Planning Budget	19,393	51,952		71,345
2CK3L02PZZ	Exxon Bayway Non recoverable	18,677			18,677
1RK3EF9P00	Selendang Ayu Oil Spill, Alaska	18,472	21,556		40,028
2CK3M8AP00	Montrose Trustee Council Operating Budget	17,970	5,690		23,660
C8LAH05P00	Pinellas County	17,747			17,747
1RK3EF5P00	Cape Flattery Grounding, Hawaii	17,735			17,735
1RK3EG3P00	Buzzards Bay/Bouchard 120 Oil Spill NRDA	16,984	140		17,124
2CK3LFZP00	Hudson River Damage Assessment	16,682	1,774		18,456
2CK3L88PEW	Mulberry Estuarine Wetland Project	15,709	69,137		84,846
2CK3LBSP00	St. Lawrence Damage Assessment	15,522	2,820		18,342
2CK3L46PAD	Elliott Bay Settlement (Administrative charges)	14,685			14,685
C8LAH03P00	Bronx River	14,130			14,130
1RK3NJ7P00	Hurricane Katrina	12,996			12,996
2CK3LSCPSF	North Cape Shellfish Settlement	12,692	103,108		115,800
1RK3ED3P00	Mosquito Bay, LA Oil Spill NRDA	10,964			10,964
1RK3EA5P00	Equinox/Mallard Well Blowout NRDA	10,277	28		10,305
2CK3MSJPAR	Barge BERMAN Artificial Reef Restoration	9,888	18		9,906
2CK3LF8P00	Boeing Duwamish Damage Assessment	9,287			9,287
2CK3LC2PAD	Chalk Point Restoration Administration	8,662	49		8,711
2CK3LSCPLR	North Cape Lobster Settlement	8,229	49,111		57,340
C8LAC06P00	Mobile Bay	8,005			8,005
2CK3LBXP00	Koppers Waste Site (Charleston)	7,287	1,909		9,196
2CK3LBZPV1	Cargill Tampa Bay Acidic Process Water Spill	7,101	14		7,115
1RK3EE3P00	Ocean Energy, Louisiana (LA) NRDA	6,302			6,302
2CK3MTVP00	TV Command Restoration	6,209	2,393		8,602
2CK3M7CP00	Fort Lauderdale Mystery Restoration	6,075	2,998		9,073
2CK3LFBPBV	Calcasieu Bayou Verdine	5,863	235		6,098
2CK3LBJP00	Passaic River Damage Assessment	5,270	385		5,655
2CK3M43P00	American Trader Restoration	5,037	1,270		6,307
2CK3LBSP00	MaCallow Oil Spill	4,786	2,047		6,833
2CK3M69PEP	Tampa Bay Ecological Projects Oversight	4,552	1,151		5,703
2CK3L69PBU	Tampa Bay Beach Use	4,508	33		4,541
2CK3M2AP00	Lake Barre Restoration	4,364			4,364
2CK3LFHP00	Hylebos Damage Assessment	4,256			4,256
1RK3ED5P00	Luckenbach Oil Spill NRDA	4,251	569		4,820
2CK3LB8P00	LCP Honeywell	4,125	551		4,676

Task Number	Task Name	Direct Labor	Other Direct Costs	Indirect Costs	Grand Total
2CK3MSJP01	Barge BERMAN Administration	4,083	96,425		100,508
2CK3LSJPBE	Barge BERMAN Beach Projects	3,963			3,963
1RK3EE2P00	Evergreen/Cooper River, South Carolina (SC), NRDA	3,838	400		4,238
2CK3M8CP00	Montrose Operating Budget	3,695	116,050		119,745
2CK3L52PZZ	Army Creek Rest Non recoverable	3,534			3,534
2CK3MCMP00	Cape Mohican Restoration	3,447	349		3,796
1RK3NK1P00	Hurricane Katrina	3,128			3,128
C8K3RKAPLA	Hurricane Katrina, Louisiana NRDA	3,056	579		3,635
2CK3L1BP00	Olympic Pipeline (Whatcom) Settlement	2,841			2,841
2CK3L42P00	Lavaca Bay Settlement	2,547	28		2,575
2CK3L46PTT	Elliott Bay Settlement (Trustee charges)	2,477			2,477
2CK3LSJPFT	Barge BERMAN Fort Projects	2,412	-		2,412
1RK3EG1P00	LA –Lake Washington NRDA	2,227			2,227
2CK3M36P00	Iron Mountain Mine Restoration	2,064	61		2,125
1RK3EB5P00	Roosevelt Roads JP5 Spill NRDA	2,041			2,041
2CK3MTVP01	TV Command Restoration - Seabird Colony Protection Plan	2,005			2,005
2CK3L46PZZ	Elliott Bay Non-recoverable	1,906			1,906
1RK3NJ8P00	Hurricane Katrina	1,883			1,883
2CK3LC2PYP	Chalk Point Settlement - Restoration Oyster Project	1,657	156		1,813
2CK3M69PBU	Tampa Bay Beach Use Restoration	1,652	16,807		18,459
2CK3L47P00	Equinox/Mallard Well Blowout NRDA	1,626			1,626
2CK3L12PZZ	Rosehill Settlement - Rosehill Restoration	1,617			1,617
2CK3LTUP00	Tulalip Restoration	1,550	16,396		17,946
2CK3LFHPQ9	Hylebos - Subgroup 1	1,386			1,386
2CK3M1DP00	Westchester Restoration	1,325			1,325
2CK3L14P00	BlackBird Mine Settlement	1,291	267		1,558
2CK3L88P00	Mulberry Admin/Cord Settlement	1,257			1,257
2CK3L09PZZ	Presidente Non recoverable	1,248			1,248
2CK3M88PEW	Mulberry Estuarine Wetland Project	1,246	54		1,300
2CK3LF8PY5	Boeing Duwamish Damage Assessment	1,216			1,216
2CK3L89P00	Julie N Settlement	1,177	21		1,198
1RK3EH4P00	Castro Cove/Chevron Texaco	961			961
2CK3LFNP00	Dupont-Newport Damage Assessment	929	116		1,045
2CK3LB9PW9	Lavaca Bay Non-Funded NRDA	893	819		1,712
2CK3L89PZZ	Julie N Non-recoverable	839			839
2CK3LFHPEA	Hylebos – Elf Atochem	734			734
2CK3LSRPZZ	AES Shore Realty Non-recoverable	731			731
2CK3L36P00	Iron Mountain Mine Settlement	706			706
2CK3L1DP00	Westchester (Miss River Mile 38) Settlement	541			541
1RK3EB9P00	Beaver Creek Oil Spill NRDA	505			505
2CK3LBVPPT	Williamette River/ Portland Harbor Damage Assessment	468			468
1RK3NJ5P00	Casitas Grounding, Hawaii	412			412
2CK3LBVP00	Castro Cove/Chevron Texaco NRDA	332			332
2CK3LSJP00	Barge BERMAN Settlement	321			321
2CK3M14P00	Black Bird Mine Restoration	313			313
2CK3LBYPV1	Cargill Tampa Bay Acidic Process Water Spill	290	4		294
2CK3MSCP00	North Cape Restoration	277			277
1RK3EF8P00	Anthos I, Delaware River NRDA	267			267
2CK3LSJPAR	Barge BERMAN Artificial Reef Rest Implement	241			241

Task Number	Task Name	Direct Labor	Other Direct Costs	Indirect Costs	Grand Total
2CK3L60P00	Mobile Gypsum Settlement	219			219
1RK3EH1P00	Buffalo Marine Neches River NRDA	216			216
2CK3MSJP00	Barge BERMAN Restoration	207			207
2CK3L14PZZ	BlackBird Mine Non-recoverable	202			202
1RK3EF6P00	LA -Mendicant Island NRDA	195			195
2CK3M8FP00	Montrose Media/Outreach and Education	173	1,995		2,168
1RK3EB1P00	Olympic Pipeline/Whatcom Creek NRDA	173			173
1RK3EG6P00	LA-Shell/North Pass	171			171
1RK3ED9P00	LA-Unocal Lake Palourde	167			167
2CK3LF9PTF	Thea-Foss (Commencement Bay) Damage Assessment	163			163
2CK3LFHPR4	Hylebos - Louisiana Pacific	163			163
2CK3LFHPR7	Dupont-Newport Damage Assessment	163			163
2CK3LBWP00	Kent Reliant Grounding NRDA	131			131
1RK3EH2P00	LA-North Pass/Ivan	109	12		121
2CK3LCMP00	Cape Mohican Settlement	106	1,017		1,123
2CK3LB5P00	Kalamazoo River Damage Assessment	86			86
1RK3ED1P00	Westchester (Miss. River Mile 38) OS Reimbursable	53			53
2CK3LB9P00	LCP Turtle River Damage Assessment	53			53
1RK3BDJP00	Fortuna Reefer Restoration	(271)			(271)
2CK3MC2PWP	Chalkpoint Restoration Wetlands Project		533,503		533,503
2CK3MNBPO0	New Bedford Restoration		507,410		507,410
2CK3MDCPO0	Baywide Design Contract		434,328		434,328
2CK3LC2PO0	Chalkpoint Settlement		214,973		214,973
2CK3M7CPSP	Fort Lauderdale Mystery Restoration		207,528		207,528
2CK3L46PO0	Elliott Bay Settlement		185,593		185,593
2CK3L87PO0	Dutch Harbor (Kuroshima) Settlement		132,769		132,769
2CK3LSJP01	Barge BERMAN Administrative		87,917		87,917
2CK3M08PO0	Santa Clara Restoration		52,439		52,439
2CK3L02PO0	Exxon Bayway Settlement		18,163		18,163
2CK3M7CPDB	Fort Lauderdale Mystery Restoration		16,800		16,800
2CK3LSCPAP	North Cape Anadromous Fish Projects		13,724		13,724
2CK3M87PO0	Dutch Harbor (Kuroshima) Restoration		11,523		11,523
2CK3MPRP00	Chelsea River		1,800		1,800
2CK3M7CPBC	Fort Lauderdale Mystery Restoration		1,254		1,254
2CK3LFAPW6	Albamarle Sound/Weyerhauser NRDA		862		862
2CK3L43PO0	American Trader Settlement		581		581
2CK3M8BP00	Montrose Bald Eagle Data Gap Studies		525		525
2CK3L88PRF	Mulberry Oyster Reef Restoration Project		409		409
2CK3LTVPO0	TV Command Settlement		353		353
2CK3M46PTT	Elliot Bay Restoration		255		255
2CK3MSCPSF	North Cape Shellfish Project		242		242
2CK3L8CP00	Montrose Operating Budget		80		80
2CK3MC2PO0	Chalk Point Restoration		44		44
2CK3MC2PAD	Chalk Point Restoration Administration		22		22
2CK3LFHPHF	Commencement Bay Hylebos FOIA		18		18
2RL1A9CP00	Black Bayou Hydrologic Restoration Construction		(36,039)		(36,039)
	Grand Total	<u>\$789,561</u>	<u>\$2,991,092</u>	<u>\$1,298,549</u>	<u>\$5,079,202</u>

SCHEDULE 2

**RESTORATION CENTER
FISCAL YEAR 2005 COSTS BY OBJECT CLASS**

Object Class	Description	Direct Labor	Other Direct Costs	Indirect Costs	Grand Total
1112	General Schedule Salaries	\$486,925		\$475,667	\$962,592
1151	Overtime	10,129			10,129
1157	Holiday Pay	480		576	1,056
1158	Hazardous Duty Pay			1,257	1,257
1159	Employee Cash Awards			27,497	27,497
1160	Leave Surcharge	111,821		111,152	222,973
1180	Credit Hours Earned	3,203		13,618	16,821
1182	Compensatory Leave Earned	5,293		20,016	25,309
1210	Employer's Contribution Surcharge	169,233		167,052	336,285
1213	Cost of Living Allowances	2,477			2,477
2123	Rental of Passenger Carrying Vehicles			113	113
2149	Travel Expenses			97	97
2140	Expenses Related to Domestic Travel		\$19,072	38,629	57,701
2143	Expenses Related to Domestic Travel		16,750	18,319	35,069
2146	Expenses Related to Foreign Travel		1,356		1,356
2148	Expenses Related to Foreign Travel		1,134		1,134
2213	All Other Transportation of Things		2,605	3,044	5,649
2319	Rental Payments to GSA			56,615	56,615
2320	Rental Payments to Others			1,983	1,983
2334	Rental of Equipment		387		387
2337	Telecommunications, Federal Technology Service (FTS)			4,872	4,872
2338	Telecommunications, Local Services		852	12,073	12,925
2411	Publications		4,693	356	5,049
2415	Other Printing		2,935	2,007	4,942
2510	Information Technology/Automatic Data Processing (ADP) Training		90	607	697
2511	Management and Professional Support Services		97,347	16,885	114,232
2523	ADP and Telecommunications			1,428	1,428
2526	Other Training		585	14,972	15,557
2527	Miscellaneous Contractual Services		2,450,437	150,389	2,600,826
2533	Training by OPM			2,700	2,700
2535	Services of Federal Agencies		4,099	92	4,191
2536	Fund Transfers between Financial Management Centers		255		255
2618	Purchases of ADP Supplies		1,243	3,297	4,540
2619	Purchases (All Other)		19,058	7,633	26,691
2624	Purchases of Laboratory Chemicals		2,468		2,468
2625	Office Furniture			2,784	2,784
2628	General Office Supplies		185		185
3123	Non-Capitalized ADP and Telecommunications Equipment		4,999	3,987	8,986
4112	Sea Grants		(36,039)		(36,039)

Object Class	Description	Direct Labor	Other Direct Costs	Indirect Costs	Grand Total
4119	Other Grants		395,860		395,860
4310	Prompt Payment Penalties		721	8	729
9876	General Support			<u>138,824</u>	<u>138,824</u>
Grand Total		<u>\$789,561</u>	<u>\$2,991,092</u>	<u>\$1,298,549</u>	<u>\$5,079,202</u>