

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

**RESTORATION CENTER
FISCAL YEAR 2011 INDIRECT COST RATE**



Answers Questioned

Cotton & Company LLP
635 Slaters Lane
Alexandria, Virginia 22314
703.836.6701
703.836.0941, fax
www.cottoncpa.com

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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) 2011 costs and our development of an indirect cost rate. This document describes our methodology and presents RC's FY 2011 indirect cost rate 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 (OPA) of 1990; Federal Water Pollution Control Act; and National Marine Sanctuaries Act. These laws provide for recovery of restoration costs from parties potentially responsible for injuring natural resources and their services.

To fulfill its responsibility as a natural resource trustee under this legislation, NOAA established the Damage Assessment, Remediation, and Restoration Program (DARRP). DARRP's mission is to assess damages and restore marine and coastal resource injuries resulting from hazardous substance or oil spills, as well as ship groundings caused by responsible parties. This mission is accomplished through conducting 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 Section; 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 2011 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 2011 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.
- Labor cost downloads did not include the cost of compensatory travel time earned. We calculated compensatory travel time costs by task, based on employee timesheets and labor rates, and included these costs in the indirect cost pool and/or base.
- 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 2011 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 written in a cursive, flowing style.

Colette Y. Wilson, CPA
Partner

August 28, 2012

EXHIBIT

RESTORATION CENTER
FISCAL YEAR 2011 INDIRECT COST RATE

Indirect Costs	\$1,681,324
Direct Labor Costs*	<u>\$3,407,443</u>
Indirect Cost Rate	<u>49.34%</u>

* Direct labor base excludes costs charged to Object Classes 1151 (Overtime), 1157 (Holiday Pay), and 1158 (Hazardous Duty Pay).

SCHEDULE 1

**RESTORATION CENTER
FISCAL YEAR 2011 COSTS BY TASK CODE**

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
J8LAH1AP00	DARRP General Support			\$625,414	\$625,414
H8LAH1AP00	DARRP General Support			600,308	600,308
G8LAH1AP00	DARRP General Support			207,810	207,810
J8LAH1APNW	Northwest Gen DARRP Support			160,037	160,037
2CK3LRCP00	General DARRF Support			48,108	48,108
J8LAH1APTR	DARRP General Support – General Training			16,044	16,044
H8K3RAPP00	Damage Assessment			4,599	4,599
J8K3N03PDM	DARRP Management And Admin Support			4,370	4,370
J8LAH1APSW	Southwest Gen DARRP Support			2,999	2,999
J8LAH1APTM	DARRP General Support – Techniques and Methods			2,904	2,904
J8LAH1APSE	Southeast Gen DARRP Support			2,208	2,208
19WVGK01P00	General Support – AA/DAA Office (LO) NOS			1,833	1,833
H8LAH1APNW	Northwest General DARRP Support			1,484	1,484
H8K3N03PDM	DARRP Management and Admin Support			1,366	1,366
J8LAH1APDR	DARRP Training			832	832
J8K3RDAP00	Damage Assessment – Earmark			688	688
J8LAH1APNE	Northeast Gen DARRP Support			281	281
H8LAH1APSW	Southwest Gen DARRP Support			43	43
J8LAH1AN00	DARRP General Support – Telecom			4	4
H8LAH1AN00	DARRP General Support – Telecom			(8)	(8)
17K3EM6P00	Deepwater Damage Assessment/Cleanup	\$2,117,250	\$1,741,485		3,858,735
1CK3GBPPRP	Deepwater BP Forward Funding – DWH Restoration Planning	347,449	131,959		479,408
2CK3M8CP00	MSRP Operating Budget	259,373	198,325		457,698
2CK3LNB00	New Bedford Harbor Restoration	192,669	68,791		261,460
1CK3GBPP00	Deepwater BP Forward Funding	96,650	28,435		125,085
2CK3L32P00	Commencement Bay Settlement	59,893	19,230		79,123
17K3NQ8P00	Deepwater Emergency Response w/Coast Guard	51,526	31,440		82,966
2CK3LGPP10	Portland Harbor Damage Assessment – Portland Harbor Phase II	39,910	13,050		52,960
2CK3LFZP00	Hudson River Damage Assessment	38,824	10,184		49,008
2CK3LGRP00	General Portland Harbor NRD	35,531	9,307		44,838
J8LAH1APAA	Infant And Orphan Cases	23,106	6,592		29,698
17K3EF9P00	Selendang Ayu Oil Spill, Alaska	21,894	6,707		28,601
J8K3N03P3R	Portland Harbor	20,876			20,876
2CK3L31P00	Bainbridge Island/Wyckoff Settlement	19,680	6,690		26,370
2CK3L59P00	Bayou Verdine Settlement	19,332	5,314		24,646
17K3EM6PVE	Deepwater Damage Assessment/Cleanup – RC Submerged Aquatic Vegetation	18,348	5,976		24,324
2CK3M49P00	Luckenbach, San Manteo, Restoration	16,375	484,010		500,385
17K3EM4P00	Enbridge Energy K'zoo Oil Spill NRDA – Emergency Oil Spill	15,558	2,458		18,016

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
2CK3L02PZZ	Exxon Bayway – Non-recoverable	14,092	4,821		18,913
2CK3LF8P00	Duwamish, Boeing Damage Assessment	12,767	3,561		16,328
1RK3EE5P00	Oil Spill Damage Assessment	12,446			12,446
17K3EM1P00	Adak Oil Spill, Helmet Creek, Alaska	10,564	3,440		14,004
17K3EE5PDA	Place Holder – Damage Assessment, NRDA	9,654	5,357		15,011
2CK3L12PZZ	Rosehill Restoration Non-Recoverable	9,396	3,212		12,608
2CK3M21P00	Nyanza Restoration	9,203	3,148		12,351
17K3EH9P00	Casitas Grounding	9,018	3,314		12,332
2CK3M8AP00	MSRP Trustee Council Operating Budget	8,857	(3,290)		5,567
2CK3L62P00	Athos – Settlement	8,850	71		8,921
17K3EL9P00	T/V Matthew Grounding, Guyanilla, PR	8,746	1,007		9,753
2CK3LBYPV1	Cargill Tampa Bay Acidic Process Water Spill	8,648	2,958		11,606
2CK3L14P00	Blackbird Mine Settlement	8,401	1,714		10,115
2CK3LF8PRB	Duwamish River NRD Seattle/Bluefields D/A	8,144	2,406		10,550
17K3EF5P00	Cape Flattery Grounding, Hawaii	7,662	3,176		10,838
2CK3L61PZZ	Buzzards Bay B-120 Non-Recoverable	7,318	2,511		9,829
2CK3LG6P00	Beaumont/Dupont/Texas D/A	6,003	2,048		8,051
17K3EM3P00	Voge Trader Grounding, Oahu, HA-Emergency Oil Spill	5,649	2,321		7,970
2CK3LC2PYP	Chalk Point Restoration Oyster Project	5,380	1,840		7,220
17K3EL8P00	Next Emergency Oil Spill	5,104	819		5,923
2CK3LTUP00	Tulalip Settlement	4,637	1,586		6,223
17K3EK1P00	SF Bay, Cosco Busan Oil Spill	4,384	803		5,187
2CK3MSCPSF	North Cape Restoration – North Cape Shellfish Project	4,357	26,760		31,117
2CK3L18P00	Holyoke Gasworks	4,204	912		5,116
2CK3L88PEW	Mulberry Admin/Cord Settlement – Mulberry Estuarine Wetland Project	4,025	1,372		5,397
2CK3L61PA0	Buzzards Bay B-120 Settlement	3,834	2,453		6,287
2CK3L87PZZ	Dutch Harbor (Kuroshima) Non-Recoverable	3,590	1,140		4,730
2CK3LG4P00	Star Lake Lodge/Texas/D/A	3,490	1,195		4,685
2CK3LF8PY5	Duwamish, Boeing NRDA	3,011	441		3,452
2CK3LBSP00	St. Lawrence Damage Assessment	2,929	828		3,757
2CK3LGCP00	Port of Seattle Duwamish River, NRD/Trustee Waste Site	2,661	911		3,572
2CK3LB8P00	LCP Honeywell	2,648	824		3,472
17K3N23P00	Department of Energy Hanford Agreement	2,340	964		3,304
2CK3L62PMH	Mad Horse Creek Settlement	2,188	716		2,904
2CK3LSCP00	North Cape Settlement – North Cape Settlement	2,173	765		2,938
17K3EE5P00	Place Holder – Pre-Assessment and Emergency Restoration	2,131	33,697		35,828
17K3EK6P00	Dalco Passage, Conoco	1,988	821		2,809
17K3EE2P00	Evergreen/Cooper River, Charleston, SC NRD	1,879	552		2,431
2CK3L38P00	Liberty Industrial Finishing NY Recovery	1,862			1,862
2CK3L44P00	Cornell Dubilier	1,839	629		2,468
2CK3LG0P03	68th Street Dump	1,795	614		2,409
2CK3L46PAD	Elliott Bay Settlement	1,588	266		1,854
2CK3LF8PDJ	Duwamish Jorgenson Forge D/A	1,575	510		2,085
2CK3MNBPO0	New Bedford Restoration	1,564	425,381		426,945
2CK3LGPP01	Portland Harbor City Restoration Planning	1,452	497		1,949

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
J8LDHH6P00	Deepwater – NMFS Wide Coordination	1,383	476		1,859
2CK3L65P00	Boeing – Settlement	1,365	467		1,832
2CK3M36P00	Iron Mountain Mine Restoration	1,351	1,107		2,458
2CK3L59PPS	Bayou Verdine Rest Pre-Settlement	1,344	120		1,464
17K3EE5P01	MV – Margara	1,175			1,175
1RK3EF8P00	Anthos I	1,074			1,074
2CK3LGNP00	Quendale Terminals, Renton, WA	976	35		1,011
2CK3LF8PDK	Duwamish Seattle King County D/A	850	216		1,066
2CK3LC2PZZ	Chalk Point Non-Recoverable	796	272		1,068
2CK3L11PZZ	B.T. Nautilus Non-Recoverable	757	259		1,016
2CK3L88PRF	Mulberry Oyster Reef Restoration Project	672	230		902
2CK3L52PZZ	Army Creek Non-Recoverable	649	222		871
17K3EH4P00	Oil Spill NRDA-Castro Cove/Chevron Texaco NRDA	605	261		866
2CK3L26P00	Spectron Restoration	592	165		757
2CK3MTVP00	TV Command Restoration	517	126		643
2CK3LFGP00	Commencement Bay Damage Assessment	477			477
17K3EF8P00	No Title – Anthos I, Delaware River NRDA	440	119		559
2CK3L21P00	Nyanza Settlement	417	143		560
2CK3L1BP00	Olympic Pipeline (Whatcom) Settlement	388	52		440
H8LAH1APAA	Infant And Orphan Cases	340	116		456
2CK3LGPP00	Portland Harbor Damage Assessment	321			321
2CK3L15PZZ	DOD Sites VA – Non-Recoverable	317			317
2CK3L11P00	B.T. Nautilus	316	107		423
2CK3L53P00	Palmerton Zinc – Settlement	309			309
17K3EJ3P00	LA TB DBL 152	306	126		432
2CK3L69PBU	Tampa Bay Beach Use	281	96		377
2CK3L29PZZ	Beaver Creek Non-Recoverable	270	92		362
2CK3LF8PSE	Seattle	264	90		354
2CK3LG3P00	Biosciences D/A	264	34		298
2CK3LBJP00	Passaic River Damage Assessment	252	86		338
2CK3LFBPBD	Calcasieu Bayou D'ubde NRDA	238	82		320
2CK3LGDP00	Todd Waste Site	216	73		289
2CK3MCMP00	Cape Mohican Restoration	215	23		238
2CK3M43P00	American Trader Restoration	211	35		246
2CK3L63P00	Casitas – Restoration	205	744		949
2CK3LSRPZZ	AES Shore Realty Non-Recoverable	192	66		258
17K3NQ8PS2	Deepwater Emergency Response W/Coast Guard – Evaluation For Buffer Zone & Surveillance	190	77		267
2CK3L24P00	Dupont Newport Settlement	180	62		242
2CK3M12P00	Rose Hill Restoration	147			147
17K3ED5P00	Luckenbach	110			110
2CK3L09PZZ	Presidente Rivera Non-Recoverable	108	37		145
2CK3LC3PCB	Macalloy Charleston Harbor Settlement Rest	99	34		133
2CK3L25P00	Lordship Point Settlement	97	33		130
2CK3L61PLU	Buzzards Bay B-120 Settlement – Lost Use	97	33		130
2CK3L61PSA	Buzzards Bay B-120 Settlement – Shoreline/Aquatic	97	33		130
17K3EJ6P00	Citgo, La Calcasieu River	96	40		136

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
17K3EG3P00	Buzzards Bay/Bouchard 120 Oil Spill NRDA	94	46		140
2CK3LGLP00	Malone Services, Texas D/A	51	18		69
2CK3LGFPWT	Washington State, Eagle Harbor, WA	48	16		64
2CK3M59P00	Bayou Verdine Restoration	34	11		45
2CK3LF8PLW	Duwamish Lockheed D/A	24	8		32
H8LDHHBP00	Deepwater – NMFS Wide Coordination & Cost	<u>(127,535)</u>	(44,183)		(171,718)
2CK3M8QP00	NFWF Restoration		514,269		514,269
2CK3M7CPVK	Fort Lauderdale Mystery Restoration – Virginia Key Mangrove Restoration		468,751		468,751
2CK3M02P00	Exxon Bayway Restoration		136,662		136,662
2CK3M7CPPB	Fort Lauderdale Mystery Restoration – Palm Beach County Lighting Enforcement		72,190		72,190
H8LHH25P00	Narragansett Bay Shellfish Restoration		56,557		56,557
2CK3M31P00	Bainbridge Island/Wyckoff Restoration		54,041		54,041
2CK3M50P00	M/V Stuyvesant Oil Spill Restoration		52,270		52,270
2CK3MC2PYP	Chalk Point Restoration – Chalk Point Restoration Oyster Project		33,385		33,385
2CK3M8FP00	MSRP Media/Outreach and Education		2,675		2,675
2CK3M7CPBC	Fort Lauderdale Mystery Restoration – Brevard County Lighting Enforcement		2,516		2,516
17K3EF7P00	Foss Barge/Pt. Wells NRDA		15		15
17K3EK5P00	Crystal Mountain		15		15
	Total	<u>\$3,532,572</u>	<u>\$4,674,675</u>	<u>\$1,681,324</u>	<u>\$9,888,571</u>

SCHEDULE 2

**RESTORATION CENTER
FISCAL YEAR 2011 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	\$1,568,471		\$368,390	\$1,936,861
1151	Overtime	121,693		1,504	123,197
1157	Holiday Pay	2,474			2,474
1158	Hazardous Duty Pay	962		1,567	2,529
1159	Employee Cash Awards			1,592	1,592
1160	Leave Surcharge Full-Time Permanent Appointments	282,323		66,313	348,636
1181	Credit Hours Earned	4,461		4,087	8,548
1182	Credit Hours Earned	32,268		11,314	43,582
1210	Employer's Contribution Surcharge	490,450		115,197	605,647
2140	Expenses Related to Domestic Travel – Paid Directly to the Traveler		\$224,258	13,086	237,344
2143	Expenses Related to Domestic Travel – Paid Directly to Vendors		85,999	9,600	95,599
2148	Expenses Related to Foreign Travel – Paid Directly to a Vendor		1,277		1,277
2213	All Other Transportation of Things		161	587	748
2319	Rental Payments to GSA		296,478	39,911	336,389
2320	Rental Payments to Others		500		500
2330	Payments for Postage to the U.S. Postal Service and to Foreign Governments		222		222
2334	Rental of Equipment			10,605	10,605
2336	Telecommunications Data/Network Services		1,962	20	1,982
2337	Telecommunications FTS Services			(4)	(4)
2338	Telecommunications Local Services		2,545	3,665	6,210
2411	Publications		3,967	272	4,239
2415	Other Printing Not Otherwise Identified		7,417	1,172	8,589
2511	Management and Professional Support Services		10,000	1,835	11,835
2526	Other Training by University or Other Non-Federal Source		450	65	515
2527	Miscellaneous Contractual Services Not Otherwise Classified	1,005,512	2,098,529	836,091	3,940,132
2533	Training by Office of Personnel Management and Other Federal Agencies			950	950
2535	All Other Services of Federal Agencies		4,185	5,950	10,135
2618	Purchases of ADP Supplies		1,421	405	1,826
2619	Purchases		27,263	15,832	43,095
2623	Issues of Photographic Supplies		1,051		1,051
2625	Office Furniture			497	497
2628	General Office Supplies		1,153	940	2,093
3123	Non-Capitalized ADP and Telecommunications Equipment		2,809	1,195	4,004
4112	Sea Grants	16,752			16,752
4119	Other Grants	7,206	1,224,350	16,711	1,248,267
4310	Penalty Payments for Prompt Payment Act		19		19
9876	General Support		678,659	151,975	830,634
	Total	<u>\$3,532,572</u>	<u>\$4,674,675</u>	<u>\$1,681,324</u>	<u>\$9,888,571</u>