

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

**RESTORATION CENTER
FISCAL YEAR 2006 INDIRECT COST RATE**

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RESTORATION CENTER
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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) 2006 costs and development of an indirect cost rate. This document presents RC's FY 2006 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 2006 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 2006 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 2006 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

**RESTORATION CENTER
FY 2006 INDIRECT COST RATE**

Net Indirect Costs	\$1,308,386
Direct Labor Costs	\$1,021,893*
Indirect Cost Rate	<u>128.04%</u>

* Direct labor base excludes object classes 1151, 1157, 1158 and 1213 totalling \$25,609.

SCHEDULE 1

**RESTORATION CENTER
FY 2006 COSTS BY TASK NUMBER**

TASK NUMBER	TASK DESCRIPTION	DIRECT LABOR COSTS	OTHER DIRECT COSTS	INDIRECT COSTS	TOTAL COSTS
D8LAH1AP00	General DARRP Support			\$1,009,128	\$1,009,128
C8LAH1AP00	General DARRP Support			121,508	121,508
D8LAH1APPW	Program Policy Work			103,251	103,251
D8LAH1APTR	General Training			24,793	24,793
D8LAH1APDR	DARRP Training			17,952	17,952
D8LAH1APNW	General DARRP Support – NW Region			9,319	9,319
D8LAH1APRE	Outreach			6,591	6,591
D8LAH1APSW	General DARRP Support - SW Region			5,788	5,788
D8LAH1APTM	Techniques and Methods			3,511	3,511
D8LAH1APNE	General DARRP Support – NE Region			2,440	2,440
D8LAH1APSE	General DARRP Support - SE Region			2,198	2,198
D8LAH1AP0H	General Training – General			1,713	1,713
D8LAH06P00	General DARRP Support			1,141	1,141
D8LAH1APOH	General Training			230	230
B8LAH1AP00	General DARRP Support			109	109
C8LAH1APTR	Training			10	10
C8LAH1AP99	Miscellaneous			(134)	(134)
C8LAH1APLA	Miscellaneous			<u>(1,162)</u>	<u>(1,162)</u>
2CK3LNBP00	New Bedford Harbor Settlement	\$163,484	\$58,860		222,344
2CK3MNBP00	New Bedford Harbor Restoration Activities	70,581	78,465		149,046
2CK3L32P00	Commencement Bay	64,258			64,258
2CK3L02PZZ	Exxon Bayway	58,226			58,226
D8LAH1APAA	Infant and Orphan Cases	39,463			39,463
1RK3EE5P00	MV/Magara, Puerto Rico	39,355	23,610		62,965
1RK3EF9P00	Selendang Ayu Oil Spill, Alaska NRDA	36,413	4,623		41,036
1RK3EF5P00	Cape Flattery Grounding, Hawaii.	34,399	1,432		35,831
2CK3L46PAD	Elliott Bay Settlement	29,221	91		29,312
2CK3M8AP00	MSRP Trustee Council Operating Budget	27,468	1,508		28,976
2CK3MSJPAR	Barge BERMAN Artificial Reef Restoration	23,091	7,045		30,136
2CK3LFZP00	Hudson River Damage Assessment	22,792	257		23,049
2CK3M8CP00	MSRP Operating Budget	21,435	96,276		117,711
2CK3M8CPF3	MSRP	20,504			20,504
2CK3LSCP00	North Cape Settlement	18,145	54,089		72,234
2CK3LFBPBV	Calcasieu Bayou Verdine	17,973			17,973
2CK3LSJPBE	Barge BERMAN Beach Projects	17,542	3,514		21,056
2CK3LTUP00	Tulalip Settlement	15,833	247		16,080
2CK3LSCPSF	North Cape Shellfish Settlement	14,723	6,687		21,410
1RK3EG3P00	Buzzards Bay/Boucharde 120 Oil Spill	13,972			13,972
2CK3LF8P00	Boeing Duwamish Damage Assessment	13,566	42		13,608
1RK3ED5P00	San Mateo Mystery Oil Spill	12,414	1,884		14,298
2CK3LF8PY5	Boeing Duwamish NRDA	11,652	15		11,667
2CK3LBZPV1	Cargill Tampa Bay Acidic Process Water Spill	11,022	24		11,046
2CK3LBSP00	St. Lawrence Damage Assessment	10,136	29		10,165
1RK3EJ6P00	CITGO Refinery, Calcasieu River, LA	9,474	1,642		11,116
2CK3M8CPF1	Fish - General Work and Data Gathering	9,397			9,397
D8LAH1APLA	Katrinia, Louisiana	9,209	183		9,392
2CK3MSJP01	Barge BERMAN	9,025	6		9,031

TASK NUMBER	TASK DESCRIPTION	DIRECT LABOR COSTS	OTHER DIRECT COSTS	INDIRECT COSTS	TOTAL COSTS
1RK3EH4P00	Castro Cove/Chevron Texaco NRDA	8,309			8,309
2CK3L88PEW	Mulberry Estuarine Wetland Project	7,527	14,086		21,613
2CK3L52PZZ	Army Creek	7,426	167		7,593
2CK3M8CPB1	MSRP	6,823			6,823
2CK3L89P00	JULIE N Settlement	6,528			6,528
2CK3LDPC00	Baywide Restoration	6,524			6,524
1RK3ED3P00	Mosquito Bay, LA Oil Spill	6,451			6,451
1RK3EE2P00	EVERGREEN/Cooper River, SC NRDA	6,147	962		7,109
2CK3L18P00	Holyoke Gas Works Settlement	6,111	3		6,114
2CK3MTVP01	Seabird Colony Protection Project	6,058	636		6,694
2CK3LB8P00	LCP Honeywell	5,843	1,006		6,849
1RK3EF8P00	Anthos I, Delaware River NRDA	5,718	126		5,844
2CK3L14P00	Blackbird Mine Restoration	5,653	486		6,139
2CK3LBJP00	Passaic River Damage Assessment	5,488	49		5,537
D8LAH1APRP	Regional Restoration Planning	4,908			4,908
2CK3L69PBU	Tampa Bay Beach Use	4,354	12		4,366
2CK3L87PZZ	Dutch Harbor (Kuroshima) Settlement	3,871			3,871
2CK3LSCPLR	North Cape Lobster Settlement	3,857	25,126		28,983
2CK3M43P00	American Trader Restoration	3,732	898		4,630
2CK3LC2PZZ	Chalk Point	3,611			3,611
2CK3LG0P04	Spectron (CPRD)	3,521			3,521
2CK3LC2PWP	Chalk Point	3,454			3,454
2CK3L42P00	Lavaca Bay Settlement	3,414	1,476		4,890
2KK3LRCPLA	Katrina	3,327			3,327
2CK3LG0P01	Island End River Damage Assessment	3,291			3,291
D8LAH1AP99	Default Code	3,238			3,238
1RK3NK1P00	Emergency Spill Response	3,152			3,152
2CK3LBXP00	Koppers Waste Site (Charleston)	3,141	107		3,248
2CK3M7CP00	Fort Lauderdale Mystery Restoration	2,764	84		2,848
2CK3M47P02	Equinox Restoration Settlement	2,753	6		2,759
2CK3LC2PYP	Chalk Point	2,726			2,726
1RK3NJ7P00	Hurricane Katrina – Louisiana	2,446			2,446
2CK3L25P00	Lordship Point Settlement	2,331			2,331
2KK3LRCP00	Katrina General Support	2,145			2,145
2CK3M32P00	Commencement Bay Restoration	2,031	39,825		41,856
2CK3LG0P06	Ciba-Geigy Corp.	2,029			2,029
2CK3M36P00	Iron Mountain Mine Restoration	1,917	(33)		1,884
2CK3MTVP00	TV Command Restoration	1,874	758		2,632
2CK3MBAP00	CMC	1,776			1,776
2CK3M46PTT	Elliott Bay Restoration Activities	1,635			1,635
2CK3LFHPGM	Hylebos - General Metals D/A	1,557			1,557
1RK3EF6P00	LA-Mendicant Island NRDA	1,533			1,533
2CK3L1BP00	Olympic Pipeline Settlement	1,522			1,522
2CK3M2AP00	Lake Barre Restoration	1,514			1,514
2CK3L21P00	Nyanza Settlement	1,447			1,447
1RK3EE6P00	Chevron Oil Spill, Author Kill N.J. NRDA	1,372			1,372
2CK3L5PPZZ	Santa Clara Restoration	1,344			1,344
2CK3L09PZZ	Presidents Rivera	1,306			1,306
2KK3LRCPSE	Katrina Sundown East	1,122			1,122
2CK3LBCP00	Macalloy CPRD Oil Spill	1,035	104		1,139
1TK3B01PC4	Superfund Region I	1,020			1,020
2CK3M60P00	Mobile Gypsum Restoration	980			980
2CK3M8DP00	MSRP Restoration Planning Budget	957			957

TASK NUMBER	TASK DESCRIPTION	DIRECT LABOR COSTS	OTHER DIRECT COSTS	INDIRECT COSTS	TOTAL COSTS
2CK3L17P00	Raymark Settlement	944			944
2CK3L14PZZ	Blackbird Mine Restoration	924			924
2CK3M8CPS1	Seabirds - General	830			830
2CK3L24P00	Dupont Newport Settlement	812			812
2CK3LFHPR7	Hylebos - Weyerhaeuser	778			778
1RK3EE4P00	Conoco Phillips	774			774
2CK3LCMP00	Cape Mohican Settlement	755	59		814
2CK3L12PZZ	Rosehill Restoration	730			730
2CK3LFHPCM	Hylebos Occidental Chemical Co. D/A	696			696
1RK3NK2P00	Hurricane Katrina Debris Removal	672			672
2CK3LSRPZZ	AES Shore Realty	653			653
2CK3M69PEP	Tampa Bay Ecological Projects Oversight	648			648
2CK3L46P00	Elliott Bay Settlement	581	330,424		331,005
2CK3M27P00	Ocean Energy (North Pass) Restoration	566	194		760
2CK3LFHP00	Hylebos Damage Assessment	512			512
2CK3LC2PAD	Chalk Point	510			510
2CK3LFJP00	Middle Waterway (Commencement Bay)	492			492
2CK3L47P00	Equinox Restoration	482			482
2CK3M8BP00	MSRP Bald Eagle Data Gap Studies	478	3,839		4,317
2CK3M8CPF4	MSRP	457			457
2CK3L88P00	Mulberry Admin/Cord Settlement	450			450
1RK3EG1P00	LA-Lake Washington	442			442
2CK3MCMP00	Cape Mohican Restoration	434			434
2CK3LC2P00	Chalk Point	432			432
1RK3EJ4P00	Irving Oil, Chelsea Creek, MA NRDA	395			395
2CK3LPRPZZ	Chelsea River/Posavina Settlement	385			385
2CK3LBVPPT	Williamette River Port Damage Assessment	344			344
2KK3LRCPSW	Katrina Sundown West	339			339
2CK3M07P00	Greenhill Petroleum Restoration	286			286
2CK3L69PEP	Tampa Bay Ecological Projects Oversight	215	53,550		53,765
1RK3EE3P00	Ocean Energy, LA NRDA	182			182
2CK3LC3P00	Macalloy	156			156
2CK3LFPP00	Elliott Bay Damage Assessment	123			123
2CK3LFBP00	Calcasieu Estuary Damage Assessment	119			119
2CK3MSCPLR	North Cape Lobster Restoration	97	(763)		(666)
2CK3L04PZZ	Presidents Rivera	97			97
2CK3LG0P00	CPRD Cases	96			96
2CK3LSJP00	Barge BERMAN Settlement	83			83
2KK3LRCPSN	Katrina Shell	70			70
1RK3EJ3P00	LA TB DBL 152	48			48
2CK3LBGP00	NEW AMITY Oil Spill D/A	<u>29</u>			29
2CK3MDCP00	Baywide Restoration Design Contract		607,904		607,904
2CK3MPRP00	Chelsea River/Posavina Restoration		90,708		90,708
2CK3LSJP01	Barge BERMAN		83,772		83,772
2CK3L02P00	Exxon Bayway Settlement		61,863		61,863
2CK3MSCPSF	North Cape Shellfish Restoration		61,384		61,384
2CK3MC2PWP	Chalk Point Restoration Wetlands Project		30,007		30,007
2CK3M8FP00	MSRP Media/Outreach and Education		23,955		23,955
2CK3LSJPAR	Barge BERMAN Artificial Reef Restoration		15,843		15,843
2CK3MSRP00	AES Shore Realty Restoration		5,995		5,995
2CK3M87P00	Dutch Harbor (Kuroshima) Restoration		2,848		2,848
2CK3M02P00	Exxon Bayway Restoration		2,679		2,679
2CK3LSJPFT	Barge BERMAN Fort Projects		2,343		2,343

TASK NUMBER	TASK DESCRIPTION	DIRECT LABOR COSTS	OTHER DIRECT COSTS	INDIRECT COSTS	TOTAL COSTS
D8LHA1APAA	Infant and Orphan Cases		157		157
2CK3MSJPBE	Barge BERMAN Beach Projects		129		129
C8K3RKAPLA	Katrina		(45)		(45)
	Total	<u>\$1,047,502</u>	<u>\$1,803,258</u>	<u>\$1,308,386</u>	<u>\$4,159,146</u>

SCHEDULE 2

**RESTORATION CENTER
FY 2006 COSTS BY OBJECT CLASS**

OBJECT CLASS	DESCRIPTION	DIRECT LABOR COSTS	OTHER DIRECT COSTS	INDIRECT COSTS	TOTAL COSTS
1021	Contractor Holdback		\$48		\$48
1112	General Schedule, General Merit, Senior Executive Service and Presidential Appointees	\$579,162		\$505,172	1,084,334
1151	Overtime	17,660		(1,162)	16,498
1157	Holiday Pay	587			587
1158	Hazardous Duty Pay	4,833		122	4,955
1160	Leave Surcharge Full-Time Permanent Appointments	130,152		113,655	243,807
1180	Credit Hours Earned	4,331		7,524	11,855
1182	Compensatory Leave Earned	7,021		7,657	14,678
1210	Employer's Contribution Surcharge	194,901		170,186	365,087
1213	Cost of Living Allowance	2,529			2,529
1218	Other Personnel Benefits			146	146
2140	Expenses Related To Domestic Travel - Paid to Traveler		34,048	23,165	57,213
2143	Expenses Related To Domestic Travel - Paid to Vendors		13,526	7,393	20,919
2213	All Other Transportation of Things		592	4,162	4,754
2319	Rental Payments to GSA		6,180	56,467	62,647
2320	Rental Payments to Others			344	344
2334	Rental of Equipment		2,425	45	2,470
2337	Telecommunications (Utility) FTS Services			34	34
2338	Telecommunications (Utility) Local Services		1,178	7,763	8,941
2411	Publications		19	1,489	1,508
2415	Other Printing		2,311		2,311
2511	Management and Professional Support Services		31,557	126	31,683
2521	Repairs to Vessels		1,077		1,077
2523	ADP and Telecommunications Contractual Services			8,348	8,348
2526	Other Training by University or Other Non-Federal Source		1,495	2,343	3,838
2527	Miscellaneous Contractual Services Not Otherwise Classified	<u>106,326</u>	1,543,510	243,405	1,893,241
2535	All Other Services of Federal Agencies		10,933		10,933
2536	Fund Transfers between Financial Management Centers for Services		247	205	452
2537	Purchases of Goods and Services			130	130
2610	GSA Customer Supply Center			353	353
2614	Purchases of Gases		126		126
2617	Purchases of Fuel		1,039		1,039

OBJECT CLASS	DESCRIPTION	DIRECT LABOR COSTS	OTHER DIRECT COSTS	INDIRECT COSTS	TOTAL COSTS
2618	Purchases of ADP Supplies			531	531
2619	Purchases (All Other)		9,237	9,476	18,713
2625	Office Furniture			541	541
2627	Purchases			95	95
3123	Non-Capitalized ADP and Telecommunications Equipment			214	214
4119	Other Grants		143,550		143,550
4301	Penalty Payments for Prompt Payment Act			30	30
4310	Penalty Payments for Prompt Payment Act		<u>160</u>		160
9876	General Support (NOAA)			<u>138,427</u>	<u>138,427</u>
	Total	<u>\$1,047,502</u>	<u>\$1,803,258</u>	<u>\$1,308,386</u>	<u>\$4,159,146</u>