

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

**RESTORATION CENTER
FISCAL YEAR 2002 INDIRECT COST RATE**

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NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION DAMAGE ASSESSMENT AND RESTORATION PROGRAM RESTORATION CENTER FISCAL YEAR 2002 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) 2002 costs and development of an indirect cost rate. This document presents RC's FY 2002 indirect cost rate and explains the methodology we used. 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 (CERCLA); 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 and Response Program (DARP). DARP'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). DARP is comprised of three NOAA component organizations: Damage Assessment Center (DAC) within the National Ocean Service; the Office of General Counsel for Natural Resources (GCNR); and RC within the National Marine Fisheries Service.

FINANCIAL MANAGEMENT SYSTEM

RC's costs reside in the NOAA financial management system (FIMA). FIMA identifies costs by financial management centers (FMC), organization codes, task codes, and object classification codes. FMCs are groups of organizations that control funding activities. RC's FY 2002 costs were accumulated under the following FMCs and organization codes:



FMC	Organization Code	Organization Name
700	FKH300	Habitat Resource Division
710	FP5400	Habitat Conservation Division
711	FP7510	Environmental Conservation Division
721	FN7400	Galveston Laboratory
730	FM5400	Habitat Conservation Division

DARP 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 DARP. These are costs for general and administrative activities that support, sustain, or enhance the DARP 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.
- Regional restoration planning tool development.
- Techniques and methods development.

NOAA applies internal burden (overhead) rates to labor costs on FIMA to recover agency overhead from each FMC for leave, benefits, and management and support costs. Application and descriptions of NOAA overhead rates 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 DARP costs, including its financial management system and business practices.
- Obtained downloads of FY 2002 RC cost transactions and performed tests to verify the completeness and accuracy of these downloads.
- Identified costs incurred on DARP tasks with the assistance of RC personnel.
- Tested samples of DARP labor and nonlabor transactions to supporting documentation and verified the accuracy of amounts recorded and the allocability of these costs to the task codes charged.
- Identified DARP 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 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.
- Contractors from the Oak Ridge Institute for Science and Education (ORISE) performed restoration work that benefited RC tasks, but were paid from another FMC. ORISE personnel work in NOAA offices, are supervised by NOAA staff, and essentially function as NOAA employees. We obtained all ORISE timesheets and calculated the cost of all time spent on DARP tasks (both direct and indirect). We included these costs in the indirect cost rate calculations.
- Labor cost downloads did not include salary costs incurred in the final pay period of the fiscal year (Pay Period 19). We obtained employee timesheets and labor cost detail reports for this period and calculated all allocable labor costs for inclusion in the indirect cost pool and 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 DARP indirect costs to final cost objectives. A May 2001 study of RC's indirect cost rates from FYs 1993 to 1999 concluded that a direct labor cost base provided a causal-beneficial relationship and was appropriate as a cost allocation methodology for RC. We consider this a reasonable and consistent basis for allocating costs and thus calculated the FY 2002 indirect cost rate with direct labor costs as a base. We included direct labor costs for ORISE 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 procedures described above do not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on RC's financial statements. 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

A handwritten signature in blue ink, appearing to read "Colette Y. Wilson".

Colette Y. Wilson, CPA
Partner

**RESTORATION CENTER
FISCAL YEAR 2002 INDIRECT COST RATE**

Total Indirect Costs	<u>\$1,065,972</u>
Direct Labor Costs*	<u>\$488,166</u>
Indirect Cost Rate	<u>218.36%</u>

* Direct labor costs include leave, benefits, and ORISE direct labor costs.

SCHEDULE 1

**RESTORATION CENTER
FISCAL YEAR 2002 COSTS BY TASK CODE**

Task Code	Task Name	Direct Labor	Other Direct Costs	Total Direct Costs	Indirect Costs	Total Costs
8L6R0P00	DARP General Management and Support				\$1,034,365	\$1,034,365
8L6R0PNS	Narragansette Lab Support				2,004	2,004
8L6R0PRE	Outreach				649	649
8L6R0PTR	General Training				16,504	16,504
CK3F010	General Management and Administrative Support				10,018	10,018
CK3MRCRE	DARP General Outreach				2,958	2,958
CK3MRCTA	DARP Non-Case Specific Travel				(526)	(526)
8K3RLA00	Regional Restoration Planning and Development – Louisiana	\$12,654		\$12,654		12,654
8L6R0PRP	Regional Restoration Planning	3,070	\$460	3,530		3,530
8K3BREH1	Jeannie-Ann	99		99		99
8L1F01NA	New Amity Oil Spill Damage Assessment	167		167		167
8L1F0600	Hylebos Damage Assessment	15,209		15,209		15,209
8L1F0700	ASARCO (Commencement Bay) Damage Assessment	1,358		1,358		1,358
8L1F0800	Thea-Foss (Commencement Bay) Damage Assessment	12,277		12,277		12,277
8L1F0900	Middle (Commencement Bay) Damage Assessment	211		211		211
8L1F2000	LCP Turtle River Damage Assessment	633	13	646		646
8L1F21	G.E. Pittsfield		139	139		139
8L1F2700	Boeing Duwamish Damage Assessment	12,832		12,832		12,832
8L1F3200	Commencement Bay Damage Assessment	3,214		3,214		3,214
8L1F3300	Passaic River Damage Assessment	142		142		142
8L1F3500	Hudson River Damage Assessment	9,646	1,241	10,887		10,887
8L1F5700	Calcasieu Estuary Damage Assessment	563		563		563
8L1F8800	Mulberry Phosphate Spill Damage Assessment	4,483	78	4,561		4,561
8L1F88LS	Mulberry Phosphate Litigation Support	52	16	68		68
8L1F8BR1	So California Restoration Implementation	27,964	3,054	31,018		31,018
8L1G02NR	Exxon Bayway Restoration (Non-Recoverable)	12,107		12,107		12,107
8L1G1000	Apex Galveston Bay Restoration	(2)		(2)		(2)
8L1G10NR	Apex Galveston Bay Restoration Non-Recoverable	7,241		7,241		7,241
8L1G13NR	F/V Tenyo Maru Restoration	964		964		964
8L1G140	Blackbird Mine Restoration		929	929		929
8L1G14NR	Blackbird Mine Restoration	152		152		152
8L1G32NR	Commencement Bay Restoration Non-Recoverable	1,314		1,314		1,314
8L1G46NR	Elliott Bay Restoration Non-Recoverable	942		942		942
8L1G87NR	Dutch Harbor (Kuroshima) Restoration Non-Recoverable	1,829		1,829		1,829
8L1GTV00	TV Command Restoration	5,133	1,409	6,542		6,542
8L1GTVNR	TV Command Restoration	1,385	430	1,815		1,815
8L6R0PAA	Infant and Orphan Cases	1,669		1,669		1,669
8L6R0PDT	Dry Tortuga	3,557	5,937	9,494		9,494

Task Code	Task Name	Direct Labor	Other Direct Costs	Total Direct Costs	Indirect Costs	Total Costs
BK3B42M4	Lavaca Bay/Point Comfort Site	149		149		149
BK3B42M5	Lavaca Bay/Point Comfort Site	447		447		447
CK3J03H9	Mini 312 Damage Assessment	259	104	363		363
CK3J3400	Mystery Spill 01	779		779		779
CK3J3900	Magulla	207		207		207
CK3M0200	Exxon Bayway Restoration	629	2,431	3,060		3,060
CK3M040	World Prodigy Oil Spill Restoration		19,784	19,784		19,784
CK3M0500	Middle Waterway Restoration	256		256		256
CK3M1100	B.T. Nautilus Restoration	361		361		361
CK3M2A00	Lake Barre Restoration (RC)	74	860	934		934
CK3M3200	Commencement Bay Restoration	57,940	4,288	62,228		62,228
CK3M3600	Iron Mountain Mine Restoration	18,971	2,957	21,928		21,928
CK3M4300	American Trader	19,810	2,726	22,536		22,536
CK3M46AD	Elliott Bay Restoration Activities	5,032	30	5,062		5,062
CK3M46TT	Elliott Bay Restoration Activities	3,427		3,427		3,427
CK3M69BU	Tampa Bay Beach Use Restoration	16,521	2,897	19,418		19,418
CK3M69EP	Tampa Bay Ecological Projects Oversight	5,432	497	5,929		5,929
CK3M8700	Dutch Harbor (Kuroshima) Restoration	229		229		229
CK3M8800	Mulberry	188		188		188
CK3M8900	Julie N Restoration (RC)	3,406	6	3,412		3,412
CK3MCM00	Cape Mohican Restoration	910		910		910
CK3MDC0	Baywide Restoration Design Contract		241,432	241,432		241,432
CK3MNB00	New Bedford Harbor Restoration	83,939	283,332	367,271		367,271
CK3MSC00	North Cape Restoration	4,104		4,104		4,104
CK3MSCAP	Anadromous Fish Projects	3,858	23,646	27,504		27,504
CK3MSCLM	North Cape Lobster Monitoring		107,863	107,863		107,863
CK3MSCLR	North Cape Lobster Restoration (RC)	17,725	36,252	53,977		53,977
CK3MSCSF	North Cape Shellfish Restoration	20,019	74,453	94,472		94,472
CK3MSJ00	Barge Berman Restoration	435		435		435
CK3MSJ01	Barge Berman Admin	4,734		4,734		4,734
CK3MSJ1	Berman Restoration		4,469	4,469		4,469
CK3MSJAR	Berman Restoration - Artificial Reef (RC)	1,201	672	1,873		1,873
CK3MTF10	Thea-Foss - Olympic View	4,502		4,502		4,502
CK3MTF20	Thea Foss - Tacoma Salt Marsh	887		887		887
CK3MTF30	Thea Foss - Middle Water Way	127		127		127
CK3MTF40	Thea Foss - Swan Creek	19		19		19
CK3MTV00	TV Command Restoration	1,455	443	1,898		1,898
CK8A2700	Boeing Duwamish	8,030		8,030		8,030
CK8E01C0	Wellwood Construction	2,211	2,209	4,420		4,420
RK3B8700	Dutch Harbor/Kuroshima Oil Spill NRDA	344		344		344
RK3BC1CV	So California Montrose CV NRDA Reimbursable	87		87		87
RK3BDJ00	Fortuna Reefer Grounding Reimbursable	255	(200)	55		55
RK3BHH00	Tesoro Barber's Point	345		345		345
RK3BSC0	North Cape/Scandia Oil Spill NRDA Reimbursable		(423)	(423)		(423)
RK3EA30	AUTHOR Grounding NRDA	(194)	(308)	(502)		(503)
RK3EA500	Mallard Well Blowout/Equinox NRDA	3,804	(4,146)	(342)		(342)
RK3EA60	Point Reyes Tarball Oil Spill NRDA		(297)	(297)		(297)

Task Code	Task Name	Direct Labor	Other Direct Costs	Total Direct Costs	Indirect Costs	Total Costs
RK3EB100	Olympic Pipeline/Whatcom Creek Spill NRDA	3,149		3,149		3,149
RK3EB500	Roosevelt Roads JP5 Spill NRDA	2,877	2,212	5,089		5,089
RK3EB90	Beaver Creek Oil Spill NRDA	641	28	669		669
RK3EC200	Chalk Point Oil Spill NRDA	30,120	248	30,368		30,368
RK3EC700	Fort Lauderdale Mystery Spill NRDA	12,701	2,400	15,101		15,101
RK3ED100	Westchester Oil Spill NRDA	3,729	4	3,733		3,733
RK3ED200	Kirby Barge 29001 Oil Spill Reimbursable	38		38		38
RK3ED300	Mosquito Bay, LA Oil Spill NRDA	57		57		57
RK3ED400	Vidor, TX JP8 Oil Spill	494		494		494
RK3ED600	BP Little Lake, LA Oil Spill	<u>581</u>		<u>581</u>		<u>581</u>
	Total	<u>\$488,166</u>	<u>\$824,575</u>	<u>\$1,312,741</u>	<u>\$1,065,972</u>	<u>\$2,378,713</u>

SCHEDULE 2

**RESTORATION CENTER
FISCAL YEAR 2002 COSTS BY OBJECT CLASS**

Object Class	Object Class Description	Direct Costs	Indirect Costs	Total Costs
1112	General Schedule, General Merit, Senior Executive Service and Presidential Appointees	\$290,929	\$406,314	\$697,243
1130	Full-Time Temporary Appointment		1,481	1,481
1133	Part-Time with Temporary Appointment		9,793	9,793
1151	Overtime (Includes Standby Pay)	5,052	364	5,416
1158	Hazardous Duty Pay	1,857	1,215	3,072
1159	Employee Cash Awards	3,000	23,431	26,431
1160	Leave Surcharge Full-Time Permanent Appointments	66,783	94,354	161,137
1180	Credit Hours Earned	3,505	4,420	7,925
1182	Compensatory Leave Earned	4,924	3,119	8,043
1210	Employer's Contribution Surcharge	93,994	132,861	226,855
2140	Expenses Related to Domestic Travel - Paid Directly to the Traveler	24,950	33,946	58,896
2143	Expenses Related to Domestic Travel - Paid Directly to Vendors	6,319	18,340	24,659
2213	All Other Transportation of Things	231	580	811
2319	Rental Payments to GSA	6,111	50,947	57,058
2320	Rental Payments to Others	180	195	375
2330	Payments for Postage		27	27
2335	ADP and Telecommunications Equipment Leased	411		411
2337	Telecommunications (Utility) FTS Services	106	18	124
2338	Telecommunications (Utility) Local Services	1,199	4,014	5,213
2339	Telecommunications (Utility) Toll Calls	168	26	194
2411	Publications		1,477	1,477
2415	Other Printing not Otherwise Identified	32	2,256	2,288
2510	Information Technology/ADP Training		600	600
2511	Management and Professional Support Services (Other than Object Class 2510)		2,958	2,958
2521	Repairs to Vessels		1,853	1,853
2522	Maintenance of Equipment (Excludes Maintenance Under Object Class 2523)		1,964	1,964
2523	ADP and Telecommunications Contractual Services		99	99
2526	Other Training by University or Other Non-Federal Source (Non-ADP)		7,201	7,201
2527	Miscellaneous Contractual Services not Otherwise Classified	489,241	22,492	511,733
2535	All Other Services of Federal Agencies (Identify Agency)	28,031	26,462	54,493
2536	Fund Transfers Between Financial Management Centers (FMCs) for Services	911	687	1,598
2613	Purchases - Maintenance of Vessels		2,969	2,969
2618	Purchases of ADP Supplies	160	1,758	1,918
2619	Purchases (All Other)	5,441	20,442	25,883
2625	Office Furniture		16,945	16,945
2628	General Office Supplies	29	1,366	1,395
3120	Non-Capitalized Equipment	17,740	5,086	22,826
3123	Non-Capitalized ADP and Telecommunications Equipment	(26)	9,309	9,283
4111	Research Grants	127,648		127,648
4119	Other Grants	135,577		135,577

Object Class	Object Class Description	Direct Costs	Indirect Costs	Total Costs
4301	Penalty Payments for Prompt Payment Act	520	7	527
9846	Common Services	(249)		(249)
9856	Exad (NOAA)	(2,024)		(2,024)
9877	General Support (LO)	(4)	154,596	154,592
9878	General Support (FMC)	<u>(5)</u>	<u> </u>	<u>(5)</u>
	Total	<u>\$1,312,741</u>	<u>\$1,065,972</u>	<u>\$2,378,713</u>