

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 4, CHAPTER 13
“ENVIRONMENTAL LIABILITIES”**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision.

Hyperlinks are denoted by *underlined, bold, italic blue font.*

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Renamed “cleanup” to “cleanup, closure, and/or disposal.”	Clarification
130101.A & 130102	Removed general liability definitions and added a link to these definitions in Chapter 8 of this Volume or addressed later in chapter.	Consolidation
130101.B	Added link to Federal Accounting Standards Advisory Board (FASAB) Technical Bulletin (TB) 2006-1.	Addition
130102.A	Added link to FASAB Statement of Federal Financial Standard No. 6, and clarified inclusion of environmental closure and disposal costs for PP&E.	Addition / Clarification
130102.A & B	Clarified the definition of environmental liability to include legal drivers (previously in definition of environmental cleanup costs).	Clarification
130102.A, B, C, E	Clarified the definitions of environmental cleanup costs, environmental liabilities, environmental site, and hazardous waste.	Clarification
130102.D, F	Added definitions for equipment and real property to clarify 1310204.F.	Clarification
130202.A	Moved information on probable, measurable, and past events pertaining to environmental liabilities from old section 130102 L, G, and K.	Consolidation
130202.B	Added information and links on environmental litigation liabilities.	Addition
130202.C	Clarified current operation environmental conditions are not recognized as environmental liabilities if created and completed within the same reporting period.	Clarification
130202.D.4-5	Added recognition requirements for asbestos per FASAB Technical Bulletin 2006-1.	Addition
130202.E	Clarified current liabilities are from undelivered orders outstanding and are at site-level.	Clarification
130202.F.5	Renamed "Preponderant User of Facilities" to "Financial Reporting Component"	Update
130202.F.6	Updated recognition requirement for overseas environmental liabilities to be compliant with Generally Accepted Accounting Principles and DoD Policy.	Update

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130202.F.7	Clarified circumstances when “nonenvironmental” liabilities may be included in environmental liability amounts.	Clarification
130202.F.8	Added asbestos requirements per FASAB TB 2006-1.	Addition
130203.A.2	Deleted disclosure of amount of operating and capital expenditures used to remediate legacy waste.	Deletion
130203.A.5-6	Clarified changes in plans are required disclosures.	Clarification
130203.A.6	Deleted disclosure of estimated cleanup costs associated with general property, plant, and equipment placed into service during each fiscal year.	Deletion
130203.C.1	Replaced Unliquidated Obligations with Undelivered Orders Outstanding	Clarification
130204.A	Added guidance on maintaining audit records to support internal controls.	Addition
130204.B.1-3	Clarified site specific study guidance.	Clarification
130204.C	Added guidance on overhead costs and clarified costs to include in estimates.	Addition/ Clarification
130204.F.1	Clarified reconciliation of environmental liability and asset records. Deleted earlier step (b) because it is captured in (c).	Clarification/ Deletion
130204.F.2	Clarified reconciliation requirements for equipment. Consolidated military and non-military equipment.	Clarification/ Consolidation

TABLE OF CONTENTS

★ **ENVIRONMENTAL LIABILITIES**

- ★1301 General
- ★1302 Accounting Policy for Environmental Liabilities
- 1303 Accounting Procedures for Environmental Liabilities

CHAPTER 13

ENVIRONMENTAL LIABILITIES1301 GENERAL130101. Purpose

★ A. This chapter prescribes the accounting policy for measuring, recognizing, and disclosing environmental liabilities, and the procedures to record Department of Defense (DoD) environmental liabilities. [General accounting principles and policy for liabilities are in Chapter 8 of this volume.](#) The policies and procedures prescribed in this chapter apply to all environmental liabilities regardless of the funding source or whether the funding is available.

★ B. This chapter implements applicable provisions of Statements of Federal Financial Accounting Standards ([SFFAS Number 5](#), “Accounting for Liabilities of the Federal Government;” [SFFAS Number 6](#), “Accounting for Property, Plant, and Equipment (PP&E);” [SFFAS Number 23](#), “Eliminating the Category National Defense Property, Plant and Equipment;” [Statement on Auditing Standards \(SAS\) Number 57/AU Section 342](#), “Auditing Accounting Estimates;” [Technical Bulletin 2006-1](#), “Recognition and Measurement of Asbestos-Related Cleanup Costs;” and Federal Financial Accounting and Auditing [Technical Release Number 2](#), “Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.”

C. This chapter does not address budget formulation for environmental liabilities, describe the different types of PP&E recorded within the DoD accounting records, or provide technical environmental guidance.

1. Refer to [Volumes 2A](#) and [2B](#) of this Regulation for guidance on budget formulation.

2. Refer to [Chapter 6](#) of this volume for descriptions of the different types of PP&E discussed in this chapter.

3. Refer to the following management guidance issued by the Office of the Deputy Under Secretary of Defense (Installation and Environment) for technical guidance: [“Management Guidance for the Defense Environmental Restoration Program,”](#) and [“Guidance for Recognizing, Measuring, and Reporting Environmental Liabilities not Eligible for Defense Environmental Restoration Program \(DERP\) Funding.”](#)

130102. Definitions

★ A. Environmental Cleanup, Closure, and/or Disposal Costs. For financial statement reporting purposes, the term “environmental cleanup costs” includes costs associated with environmental restoration of environmental sites funded under the DERP, corrective actions, and environmental costs associated with the future [closure of operations, including closure and](#)

disposal of [property, plant, and equipment \(PP&E\)](#). These costs include the costs of researching and determining the existence of hazardous waste, removing, containing, and/or disposing of hazardous waste from [personal or real property](#), and/or [personal or real property](#) that consist of hazardous waste at the time of shutdown or disposal. Cleanup costs may include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post closure costs related to DoD operations that result in hazardous waste. [This is consistent with the definition of environmental cleanup costs per SFFAS Number 6](#).

★ **B. Environmental Liabilities.** For financial reporting purposes, a DoD environmental liability is a future outflow or expenditure of resources that exists as of the financial reporting date for environmental cleanup, [closure, and/or disposal](#) costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by lease contracts, federal, state, and/or local statute, regulation, or other legal agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal.

★ **C. Environmental Site.** An environmental site is a Real Property asset or combination of assets with a discrete location for which there is an environmental issue that requires evaluation. Environmental sites must be reviewed to determine if future environmental work required at the site meets the definition of environmental liability.

★ **D. Equipment.** Personal Property that is functionally complete for its intended purpose, durable, and nonexpendable. Equipment generally has an expected service life of 2 years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; has been acquired or constructed with the intention of being used. This includes Military or General Equipment. The DoD recognized Item Unique Identifier (IUID), if available, should be used to identify each item or piece of equipment (see [DoDI Number 5000.64](#)).

★ **E. Hazardous Waste.** Per [SFFAS Number 6](#) the definition of hazardous waste used in conjunction with environmental cleanup costs defined above, is a solid, liquid, or gaseous waste, or combination of these wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics, may cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness or pose a substantial present or potential threat to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed. [As noted in Technical Bulletin 2006-1](#) the term “hazardous waste” as defined in SFFAS Number 6 was developed by consulting environmental laws such as the Resource Conservation Recovery Act (RCRA), however the general use of the term in federal accounting standards should not be construed as limiting the application of the standards solely to those materials meeting the definition of “hazardous waste” under RCRA.

★ F. Real Property. Land and improvements to land (i.e., facilities). It includes equipment) affixed and built into the facility as an integral part of the facility (such as heating systems), but not movable equipment (e.g., plant equipment, industrial equipment, buoys). The DoD Real Property Unique Identifier (RPUID), if available, should be used to identify each real property asset (see DoDI Number 4165.14).

1302 ACCOUNTING POLICY FOR ENVIRONMENTAL LIABILITIES

130201. This section outlines the policy of recognizing, disclosing, and measuring environmental liabilities in accordance with applicable accounting standards.

130202. Environmental Liability Recognition

★ A. Environmental liabilities must be recognized on the financial statement for probable and measurable future outflows or expenditure of resources for environmental cleanup, closure, and/or disposal actions, in accordance with Technical Release Number 2. A probable environmental liability exists when it is more likely than not that hazardous waste resulted from operations where DoD was likely involved. A measurable environmental liability exists when a dollar value can be estimated for the cleanup costs or study needed to define further cleanup parameters (see subparagraph 130204.B).

★ B. Environmental litigation liabilities are reported separately from other environmental liabilities in the notes to the financial statements. See Volume 6B, Chapters 4 and 10 for information on reporting environmental liabilities in the notes to the financial statements.

★ C. Environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and should be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure and/or disposal action in the current reporting period. If the DoD Component does not complete the cleanup, closure and/or disposal action within the current reporting period, then an environmental liability should be recorded for that portion of the cleanup, closure and/or disposal action not completed. The DoD Component should record an accounts payable for cleanup, closure, and/or disposal costs incurred and not paid in accordance with Chapter 9 of this volume.

D. Environmental liabilities are generally recognized in accordance with the following paragraphs.

1. The total estimated cost of environmental liabilities, associated with General PP&E placed in service prior to October 1, 1997, shall be recognized as follows:

(a) In the initial year the liability is recorded, unless the costs are intended to be recovered through user charges.

(b) If the costs are intended to be recovered through user charges, then the DoD Components shall recognize a liability for that part of the asset's useful life

that has lapsed since the PP&E was placed into service. The remaining liability shall be systematically recognized over the remaining useful life. Refer to subparagraph 130204.E of this chapter for additional information on systematically recognizing cost estimates.

2. The estimated environmental liabilities, associated with General PP&E placed in service after September 30, 1997, that have future environmental cleanup, closure, and/or disposal requirements shall be systematically recognized over the useful life. The accumulation of the liability and the recognition of the related expense shall commence when it is placed in service, continue in each period that operation continues, and be completed when the General PP&E ceases operation.

3. The estimated environmental liabilities associated with cleanup cost for Stewardship PP&E shall be recognized in the period that the asset is placed into service.

★ 4. For asbestos related environmental liabilities associated with PP&E, the effective date for which systematic recognition of the liability is required is based on the effective date of the implementing requirement (i.e., FASAB Technical Bulletin 2006-1 on Recognition and Measurement of Asbestos Related Cleanup Costs). Asbestos related environmental liabilities associated with PP&E placed in service after September 30, 2009, shall be systematically recognized over the remaining useful life of the PP&E.

★ 5. Asbestos related environmental liabilities associated with PP&E placed in service prior to October 1, 2009, shall be recognized for the portion of the estimated total cleanup, closure and/or disposal cost of the estimated useful life that has passed since the PP&E was placed in service. However, if the PP&E has been in service for a substantial portion of its estimated useful life, the estimated total cleanup, closure and/or disposal cost may be recognized in full in the initial year the liability is recorded, unless the costs are intended to be recovered through user charges.

★ E. Environmental liabilities of an entity for which the financial statements are prepared, and for which the entity expects the resources to outflow within 1 year of the reporting date are current liabilities. Although the budget is considered in the calculation of current liabilities, they are not budget driven. Current liabilities are the dollar value of the work planned to be performed at each environmental site in the next 12 months following the reporting date. The DoD Components should compute the current liability as the sum of the following:

1. Expected Delivery and Acceptance from Undelivered Orders Outstanding (work remaining to be performed in the next 12 months.)

2. Expected Delivery and Acceptance from Projected Obligations (work to be performed in the next 12 months from future contracts) at current cost.

F. The liabilities discussed below are specific in nature and should be recognized as applicable.

1. Operational Ranges. An environmental liability associated with the cleanup, [closure](#), and/or disposal, including disposal of unexploded ordnance, on operational ranges does not exist until a formal decision is made to close the range or hazardous waste is migrating off the range. If hazardous waste is migrating off the range, then the DoD Component will need to recognize [an environmental liability](#).

2. Conventional Munitions. Environmental liabilities for conventional munitions that are determined to be excess and/or obsolete as of the financial reporting date are recognized for the total disposal estimate. Conventional munitions are typically an inventory item intended for consumption; therefore, an environmental liability would exist only when the munitions are considered excess or obsolete because the unused portions could threaten the environment if the disposal was improperly managed.

3. Stockpile and Nonstockpile Chemical Agents and Munitions Inventory, and Buried Chemical Agents and Munitions Inventory. Environmental liabilities and the related expenses for stockpile and nonstockpile chemical agents and munitions inventory, and buried chemical agents and munitions should be recognized for the [cleanup, closure, and/or disposal costs](#). Per [50 U.S.C. 1521](#), the Department is required to dispose of chemical weapons and materiel contained in the stockpile, as well as the nonstockpile. The stockpile is the chemical weapons and materiel in the inventory. The nonstockpile items are binary chemical weapons, miscellaneous chemical warfare materiel, recovered chemical weapons, and former production facilities. Proper action is needed to mitigate risk to human health and the environment from buried chemical agents and munitions.

4. General PP&E Formally Identified as National Defense PP&E. The [SFFAS Number 23](#) eliminated the National Defense PP&E category and reclassified these assets (e.g., [Military Equipment](#)) as General PP&E. This reclassification requires environmental liability recognition in accordance with the rules established for General PP&E. Refer to subparagraph 130202.D of this chapter for recognition rules of General PP&E. As a result of this reclassification, the Components are required to adjust environmental liabilities that were recognized in full for assets placed in service on or after October 1, 1997. The SFFAS Number 23 states that the cumulative effect of adopting this standard should be reported as a change in accounting principle and that adjustment should be made to the beginning balance of the cumulative results of operations in the Statement of Changes in Net Position in the period of the change without restating the prior periods.

★ 5. Financial Reporting Component. Each DoD Component is responsible for recording the environmental expense and liabilities for the real property and/or equipment that they are recording and reporting on their financial statements, regardless of ownership. The criteria for determining the [General PP&E financial reporting component](#) are outlined in [Volume 4, Chapter 6](#) of this Regulation.

★ 6. Overseas Environmental Liabilities. Environmental liabilities resulting from DoD operations are considered "Government-Related Events" as defined by SFFAS 5 and will be recognized when the event creating the liability occurs. The Department of Defense Components will estimate environmental cleanup, closure, and/or disposal costs associated with their operation of installations overseas in accordance with DoDI 4715.8 and international agreements as defined by DoDD 5530.3. The requirements to be met will be based on the applicable Final Governing Standards (FGS), Overseas Environmental Baseline Guidance Document, and international agreements, in accordance with DoDI 4715.5.

★ 7. Nonenvironmental Disposal Cost. For disposal cost of assets containing hazardous waste, nonenvironmental costs that are considered immaterial to the total cost of removing or disposing of the assets may be recognized as an environmental liability. In such cases, the total disposal cost may be recognized as an environmental liability. Materiality depends on the degree to which an omission or misstatement would change or influence the judgment of a reasonable person relying on the information, and requires the application of professional judgment. Each DoD Component is responsible for defending any immateriality determinations.

★ 8. Asbestos. Both friable and nonfriable asbestos-related cleanup, closure, and/or disposal costs should be estimated in accordance with Technical Bulletin 2006-1, "Recognition and Measurement of Asbestos-Related Cleanup Costs." Asbestos-related cleanup, closure, and/or disposal costs are the costs of removing, containing, and/or disposing of (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E. Asbestos-related cleanup, closure, and/or disposal costs associated with PP&E should be recognized in accordance with subparagraphs 130202D.4 and 130202D.5. Effective date for reporting is 1st quarter, fiscal year 2010.

G. Environmental liabilities are generally based on accounting estimates that are discussed in subparagraph 130204 of this chapter. Subparagraphs 1 through 3 below prescribe the recognition of necessary adjustments to the accounting estimates used in establishing environmental liabilities.

1. The cumulative effect of changes in cost estimates are recognized as an expense in the current accounting period and the corresponding liability is adjusted. Pending system modernization, an alternative is to reverse the accumulation entry at the opening of the subsequent fiscal year. In this event, the entire revised estimated liability and related expense would be entered in the current reporting period. These accounting transactions are provided in Table 13-2. Additionally, the related cleanup cost for the current period shall be expensed and accrued as an environmental liability. Refer to the accounting procedures in subparagraph 130302.C of this chapter for the appropriate accounting transactions.

2. The risk of material misstatement of accounting estimates normally varies with the complexity and subjectivity associated with the process, the availability and reliability of relevant data, the number and significance of assumptions that are made, and the degree of uncertainty associated with the assumptions. For financial statement reporting purposes,

environmental liabilities may be established for estimated costs that are specific amounts or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be recognized. If no amount within a range is considered a better estimate than other estimates, then the minimum amount in the range should be recognized. Refer to subparagraph 130203.B of this chapter for disclosure requirements of estimates that are based on uncertainty.

3. Material adjustments, as defined in [Volume 1, Chapter 2](#) of this Regulation, that are required to correct errors related to prior period operations shall be recognized as a prior period adjustment that restates the prior period comparative financial statements. Adjustments to correct errors typically result from mistakes, or the oversight or misuse of facts that would materially misstate the entities financial statements. This type of adjustment is reflected in the statement of changes in net position and omits the expense recognition in the period of implementation. The amounts involved shall be disclosed and to the extent possible, the amount associated with current and prior periods should be noted. Adjustments required for immaterial amounts are recognized as a current period event.

130203. Environmental Liability Disclosures

A. Financial statement disclosures provide pertinent information in notes or narratives about the amounts reported on the face of the financial statements. The recognition of environmental liabilities requires the following disclosures associated with the cleanup, [closure and/or disposal](#) cost [estimates](#) that must be addressed each reporting period within the financial statement note for environmental liabilities. [Refer to Volume 6B, Chapter 10](#) of this Regulation for instructions on completing the financial statement Notes.

1. The sources (list applicable laws and regulations) of cleanup, [closure, and/or disposal](#) requirements.

★ 2. The method for assigning estimated total cleanup, [closure, and/or disposal](#) costs to current operating periods.

3. The unrecognized amounts of environmental liabilities for assets that require the systematic recognition of the total estimated cleanup, [closure, and/or disposal](#) costs. The DoD Component should recognize the portion of the total cost that is attributed to the useful life of the asset that has expired since the asset was placed in service. The balance or the total estimated cleanup, [closure and/or disposal](#) cost is the unrecognized cost of the liability.

4. Material changes in the total estimated cleanup, [closure and/or disposal](#) costs due to changes in laws, technology, or plans.

★ 5. Portion of the changes in estimated costs due to changes in laws, technology, or [plans; and those changes](#) related to prior periods.

★ 6. The nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, [plans](#), or applicable laws and regulations.

7. Provide a description of the type of environmental liabilities identified.

B. Environmental liability estimates that are based on an existing condition, situation, or set of circumstances involving uncertainty that is more likely than not to result in a future expenditure to an entity should be fully disclosed within the financial statement notes for environmental liabilities. Environmental liabilities that only have a remote [probability](#) or slight chance of occurring do not require disclosure in the general purpose financial [statements and accompanying notes](#), but the law may require disclosure in special purpose reports.

C. Environmental liabilities not covered by budgetary resources should be disclosed in accordance with [Volume 6B, Chapter 10](#) of this Regulation. Liabilities not covered by budgetary resources are equal to the total liability minus the liabilities covered by budgetary resources. [Environmental](#) liabilities covered by budgetary resources are equal to the following:

- ★ 1. [Undelivered Orders Outstanding](#) for current and prior years.
- 2. Unobligated appropriated balances available for execution.
- 3. Other resources authorized for specified purposes in a given year.

★ D. Documentation to support the environmental liability recognition and disclosures, including management reviews shall be retained for the life of the liability. Once the liability has been eliminated, the documentation should be retained according to applicable retention and disposal instructions [in accordance with Volume 1, Chapter 9](#) of this Regulation.

★ 130204. [Environmental Liability Estimates](#)

★ A. Environmental liabilities are generally accounting estimates because the extent of the environmental [cleanup, closure, and/or disposal](#) costs cannot be determined until completing cleanup/disposal operations. The DoD Component's responsible program management function and accounting function should work together to identify and support the environmental liability [estimates and maintain audit records to support assumptions, methodologies, and internal controls used in developing the estimates](#). The responsible program management function is accountable for generating the cost estimates; the accounting function is responsible for reviewing the cost estimates and ensuring the liability is recognized according to the guidance published in this chapter. [Each estimate is based on subjective as well as objective factors. Accordingly, sound business judgment based on knowledge and experience about past and current events and assumptions is required.](#) The accounting estimates are subject to audit standards of the [SAS Number 57/AU Section 342](#), "Auditing Accounting Estimates." Organizations that prepare accounting estimates must retain adequate documentation of [quality review, estimator and reviewer qualifications, data sources, estimating methodologies, accreditation including the parametric models, and internal control procedures](#). The process of establishing accounting estimates would normally consist of:

1. Identifying situations for which accounting estimates are required.
2. Identifying the relevant factors that may affect the accounting estimate.
3. Accumulating relevant, sufficient, and reliable data on which to base the estimate.
4. Developing assumptions that represent management's judgment of the most likely circumstances and events with respect to the relevant factors.
5. Determining the estimated amount based on the assumptions and other relevant factors.
6. Determining that the accounting estimate is presented in conformity with applicable accounting principles and that disclosure is adequate.

B. The environmental [cleanup, closure and/or disposal](#) costs that are probable and [reasonably](#) estimable must be [estimated](#) based on site specific information using engineering estimates, comparison with similar sites, or equipment or cost models validated in accordance with [DoD Instruction 5000.61](#), "DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A)." The [reliability](#) of the cost estimate will depend on the amount of site specific information available, the extent of experience and resemblance with similar sites or assets, and availability of remediation technology. Once the DoD Component generates a cost estimate, the liability should be recognized in accordance with paragraph 130202 of this chapter and any uncertainty disclosed in the notes to the financial statements.

★ 1. [Site Specific Study](#). A cost estimate produced from a site specific study is generally [more](#) reliable because it is based [directly on](#) environmental conditions at the site. Further, environmental personnel [can](#) evaluate the alternative [cleanup, closure and/or disposal](#) actions identified [through a site-specific study to develop engineering estimates and to identify](#) the selected alternative.

2. [Experience with Similar Site Conditions or Assets](#). If a [site-specific](#) study has not been completed, then the DoD Component should determine whether the site appears to be similar to other sites where experience has been gained based on the completion of a comprehensive study or actual remediation. If there is no investigation and/or comparable site data available, costs are not considered reasonably estimable. In this case, the DoD Component should recognize the anticipated costs of conducting future studies until they complete the site specific study.

★ 3. [Availability of Cleanup Technology](#). If [an acceptable cleanup](#) technology is not available to [address](#) the site, then the DoD Component should recognize the estimate to contain the hazardous waste and other relevant costs, such as the costs for future studies. The DoD Component should also disclose the range of uncertainty in the notes to the financial statement.

★ C. Environmental liability estimates must be developed for each environmental site and should include all cleanup, closure, and/or disposal costs. Such cost estimates are calculated on a current cost basis and are based on a current plan, existing laws, and technology. Overhead management costs for environmental sites and equipment that cannot be attributed to specific sites and equipment should be added to environmental liability at a summary level. Environmental liability estimates should include the following cost elements, as applicable:

1. Compensation and benefits of government personnel expected to devote significant time directly to a disposal effort.
2. Cost of employing contractors, engineers, and consultants.
- ★ 3. Disposal costs (includes demilitarization, material handling, transportation, storage, and tipping fees).
4. Cost of dedicated facilities, machinery, and equipment and the related operating and maintenance costs.
5. Research and development costs for alternative remediation technologies.
6. Payments to regulatory agencies to provide technical support, e.g. document review of planned studies.
7. Efforts to tear down, remove, and dispose of the item(s) to include transportation, demilitarization, and dismantlement.
8. Planning and design efforts to include contract advertisement and document reproduction.
- ★ 9. Landscaping costs to replace landscaping elements damaged or destroyed by remediation efforts.
10. Permits, licenses, and approval to include State Historic Preservation Officer concurrence and documentation. Also included are screening costs of suitable property for the homeless as established by the McKinney Act in Public Law 101-645.
11. Grants or payments to state, tribal, and local governments.

D. Environmental liability estimates shall be reviewed annually and revised when there is evidence that significant changes in the cost measurement have occurred, such as changes in scope, ownership, regulation, or technology. At a minimum, long-term cost estimates shall be adjusted upward or downward annually, through indexing, to maintain them on a current cost basis as if acquired in the current period. Once the cost estimates are reviewed and adjusted, the estimated liability should be reduced by the expensed amounts that are paid to reflect the total remaining cleanup costs less any unrecognized portions of a systematically recognized cost

estimate. Further, the DoD Component should be able to distinguish between the current and noncurrent portions of the liability estimate.

E. A systematic recognition of the cost estimate is preferably based on the use of physical capacity. If physical capacity is not applicable or estimable, the estimated useful life based on the number of years may serve as the basis for the systematic recognition of expense and accumulation of a liability. A more thorough explanation of the term “useful life” is provided in [Volume 4, Chapter 6](#) of this Regulation. The current period estimate is equal to:

divided by;

1. The total final estimated costs of the disposal or closure effort,
2. The total capacity, multiplied by;
3. The physical capacity used, minus;
4. The amounts previously recognized as an expense.

F. Components shall maintain [records](#) of environmental sites [and equipment that contribute to DoD environmental liabilities](#) and reconcile [them](#) with PP&E records at least annually. The purpose of the reconciliation is to ensure that all of the Department’s [environmental liabilities](#) are recognized and documented. The reconciliation may identify [asset](#) records that require recognition of [an environmental liability](#), or instances where there is no inventory record for [assets with a recorded environmental liability](#). The DoD Components should use the following process to adequately reconcile to the PP&E records:

★ 1. [Real Property](#). The Real Property Inventory (RPI) maintained on behalf of DoD by the Military Departments is the official DoD facility inventory. Any DoD Component that maintains a database of real property related data for its own purpose must reconcile with the official DoD RPI or establish an accurate functional crosswalk.

(a) Record in the real property records whether the real property associated with the record has been reviewed for environmental issues.

(b) Record the project number for each environmental [cleanup, closure, and/or disposal](#) project associated with the real property record.

(c) The responsible environmental program office maintains records of each project and associates it with the applicable real property records. This office also maintains a project file for each environmental project.

★ 2. [Equipment](#). [To the extent that environmental liabilities associated with equipment disposals are reported in systems other than property systems, environmental liabilities should be reconciled to the accountable property records to ensure all assets are reviewed. Refer to \[DoDI Number 5000.64\]\(#\) for additional information on accountable property records.](#)

1303 ACCOUNTING PROCEDURES FOR RECORDING ENVIRONMENTAL LIABILITIES

130301. This section illustrates the use of the applicable United States Standard General Ledger (USSGL) accounts for recording the proprietary and budgetary transactions for environmental liabilities.

130302. Estimated Cleanup Cost Liability (USSGL Account 2995)

A. This account represents the estimated amounts owed for projected future cleanup, closure, and/or disposal costs associated with:

1. Hazardous waste from property; or
2. Material and/or property consisting of hazardous waste at a permanent or temporary closure or shutdown of the associated property, plant, and equipment.

B. Subsidiary ledgers shall be established as necessary to meet external reporting requirements and to provide internal control over amounts owed.

C. The accounting entries depicted in Table 13-1 illustrate the entries that should be used to record transactions for environmental liabilities. The alternative accounting entries depicted in Table 13-2 illustrate the entries that can be used pending system modernization to the Department's business systems.

Table 13-1
ACCOUNTING ENTRIES FOR ACCOUNT USSGL 2995-
ESTIMATED CLEANUP COST LIABILITY

1. Dr 6800 Future Funded Expenses
 Cr 2995 Estimated Cleanup Cost Liability

Record the current period liability for cost to be funded in the future. This entry is also applicable for the systematically recognized portions of environmental liabilities.

2. Dr 2995 Estimated Cleanup Cost Liability
 Dr 6100 Operating Expenses/Program Costs
 Cr 2110 Accounts Payable
 Cr 6800 Future Funded Expenses

And

- Dr 4610 Allotments – Realized Resources
 Dr 4801 Undelivered Orders – Obligations, Unpaid
 Cr 4901 Delivered Orders – Obligations, Unpaid

And (if funded by a direct appropriation)

- Dr 3107 Unexpended Appropriations – Used
 Cr 5700 Expended Appropriations

Record previously estimated cleanup costs that are due and payable for receipt of goods or services that have not been paid.

3. Dr 2110 Accounts Payable
 Cr 1010 Fund Balance with Treasury

And

2. Dr 4901 Delivered Orders – Obligations, Unpaid
 Cr 4902 Delivered Orders – Obligations, Paid

Record payment.

2. Dr 3310 Cumulative Results of Operations
 Cr 6800 Future Funded Expenses
 Cr 6100 Operating Expenses/Program Costs

To record the closing of the expense accounts to cumulative results of operations.

Table 13-2

**ALTERNATIVE ACCOUNTING ENTRIES FOR USSGL ACCOUNT 2995-
ESTIMATED CLEANUP COST LIABILITY
(PENDING SYSTEM MODERNIZATION)**

1. Dr 6800 Future Funded Expenses
Cr 2995 Estimated Cleanup Cost Liability

Record the current period liability for cost to be funded in the future. This entry is also applicable for the systematically recognized portions of environmental liabilities.

2. Dr 2995 Estimated Cleanup Cost Liability
Cr 6800 Future Funded Expenses

Reverse accruals at the beginning of the next accounting period.

3. Dr 6800 Future Funded Expenses
Cr 2995 Estimated Cleanup Cost Liability

Record the total current period revised estimated liability for cost to be funded in the future. This entry is also applicable for the systematically recognized portions of environmental liabilities.

4. Dr 6100 Operating Expenses/Program Costs
Cr 2110 Accounts Payable

And

- Dr 4610 Allotments – Realized Resources
Dr 4801 Undelivered Orders – Obligations, Unpaid
Cr 4901 Delivered Orders – Obligations, Unpaid

And (if funded by a direct appropriation)

- Dr 3107 Unexpended Appropriations – Used
Cr 5700 Expended Appropriations

Record previously estimated cleanup costs that are due and payable for receipt of goods or services that have not been paid.

Table 13-2

**ALTERNATIVE ACCOUNTING ENTRIES FOR USSGL ACCOUNT 2995-
ESTIMATED CLEANUP COST LIABILITY
(PENDING SYSTEM MODERNIZATION) (CONTINUED))**

5. Dr 2110 Accounts Payable
Cr 1010 Fund Balance with Treasury

And

. Dr 4901 Delivered Orders – Obligations, Unpaid
Cr 4902 Delivered Orders – Obligations, Paid

Record payment.

6. Dr 3310 Cumulative Results of Operations
Cr 6800 Future Funded Expenses
Cr 6100 Operating Expenses/Program Costs

To record the closing of the expense accounts to cumulative results of operations.