

**SIGNED 1 Mar 2000**

SFIM-AEC-ERP (200)

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Guidance for Documentation of Cost-to-Complete (CTC) Estimates

1. Reference memorandum, Deputy Under Secretary of Defense (Environmental Security), 5 Aug 99, subject: Supplemental Management Guidance for the Defense Environmental Restoration Program (enclosure).
2. Cost-to-Complete estimates form the basis of the environmental line item liabilities. These liabilities are reported in annual financial statements developed by the DOD components in compliance with the Chief Financial Officer's Act of 1990 (P.L. 101-576). Chapter 14 of Volume 4 of the DOD Financial Management Regulation (FMR) 7000.14-R addresses the accounting policy and principles for measuring and recognizing these environmental liabilities.
3. A fundamental requirement of a good audit trail is that transactions, such as CTC estimates that support environmental liability, must be adequately supported with pertinent documents and source records. The source documentation should include a narrative providing sufficient explanation for the basis of the estimate, the date prepared, preparer's name, and evidence of supervisory approval.
4. The DOD issued guidance (ref 1) requiring supportable documentation for the cost-to-complete estimates. This was prompted from a DOD IG Report which found that the data supporting cost-to-complete estimates in the Defense Environmental Restoration Program (DERP) did not provide the fundamentals of a good audit trail.
5. Documentation of quantities and proposed actions supporting cost-to-complete estimates must be maintained at each installation. If no documentation exists in the form of a report (i.e., site is still in the site investigation phase), the installation environmental coordinator must prepare and maintain a Memorandum for Record documenting assumptions used for the estimate. The U.S. Army Environmental Center (USAEC) will be conducting cost-to-complete reviews at selected installations to ensure proper documentation is being maintained. These estimates should be consistent with the information being reported in the Installation Action Plans/BRAC Cleanup Plan Abstracts and schedules in the DSERTS. These reviews will be coordinated with the appropriate MACOM representatives and the USAEC MACOM-based oversight manager.

Encl

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