



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240



SEP 14 2010

FINANCIAL MANAGEMENT MEMORANDUM 2010-018 (Vol II.B)

To: Bureau Assistant Directors for Administration
Bureau Chief Finance Officers

From: Don Geiger 
Acting Director, Office of Financial Management

Subject: Technical Release 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*

Effective June 2, 2010, Technical Release (TR) No. 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*, provides federal entities implementation guidance on existing standards on accounting for cleanup costs associated with equipment. It clarifies the accounting for cleanup costs associated with permanent or temporary closures or shutdown of equipment, as well as other cleanup costs associated with ongoing operations. It also provides two examples, one associated with equipment cleanup when a liability should be recognized and one when costs should be expensed as routine operations. Diagram 1 of TR 11 provides steps that help federal agencies to determine the identification and recognition of an environmental liability associated with equipment.

Cleanup costs, as defined in Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, are the costs of removing, containing, and disposing of hazardous waste from property, or material and/or property that consists of hazardous waste at permanent or temporary shutdown of the associated equipment. In accordance with SFFAS 6, these cleanup costs shall be estimated when the associated equipment is placed in service, and a portion of the estimated total cleanup costs shall be recognized as an expense and the associated environmental liability shall be recognized during each period that the equipment is in operation. However, if such cleanup is an ongoing part of operations, then the cleanup costs shall be recognized as an operating expense and the associated liability shall be recognized in the period the cleanup occurs, in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities* and SFFAS 5, *Accounting for Liabilities of the Federal Government*.

Bureaus shall review TR 11 as well as their current accounting practices related to cleanup costs associated with equipment to ensure compliance with existing standards. Bureaus shall also assess the impact of the implementation of TR 11 on the bureaus' environmental liabilities and provide responses to the Office of Financial Management by close of business, Thursday, **September 21, 2010**.

Questions or comments should be referred to Sherry Lee at 202-219-4096 or Sherry_Lee@ios.doi.gov.

Attachment

cc: Financial Statement Guidance Team
Finance Officers Partnership
EDL Workgroup