

VA Financial Policies and Procedures
Environmental and Disposal Liabilities

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0801 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for recognizing, recording and reporting environmental and disposal liability (EDL). An environmental and disposal liability is an anticipated future outflow or other expenditure due to past or current operations that may adversely affect environmental or public health, to include VA employees. VA's environmental liabilities may include activities such as possible leaks or contamination resulting from the removal of underground oil and gasoline tanks and contaminated soil or groundwater, asbestos abatement or removal, lead abatement or removal, decommissioning of waste incinerators, etc. Many of VA's EDLs result from the legal basis in the Environmental Protection Agency (EPA) regulations, [Title 40 Code of Federal Regulations](#) (C.F.R.). Some facilities are required to apply local and state regulations that may be more stringent. Other cleanup costs, such as those resulting from accidents or where cleanup is an ongoing part of operations, are accounted for in accordance with liability standards rather than EDL standards. These other types of cleanup are not deferred, they are dealt with as they occur.¹

Overall financial accounting principles and standards for EDL are governed by the pronouncements of the [Financial Accounting Standards Advisory Board \(FASAB\)](#). [Statement of Federal Financial Accounting Standard \(SFFAS\) No. 5, Accounting for Liabilities of the Federal Government](#), provides the criteria VA will use for determining and recognizing a contingent liability, as it may apply to cleanup cost determination and whether the costs should be recognized as liabilities and/or disclosed in the notes. [SFFAS No. 6, Accounting for Property, Plant and Equipment](#) (PP&E), provides supplemental information concerning hazardous waste cleanup costs and the accounting standards to be applied. [FASAB Technical Release No. 2](#) provides information VA will consider when determining whether an environmental contamination meets the definition of probable, and also provides guidance in quantifying the liability for cleanup. Refer to Office of Financial Policy (OFP) [Volume V Chapter 9, Property, Plant, and Equipment](#), for the proper accounting treatment of expenditures related to cleanup costs. For additional guidance on other VA financial policies and procedures applicable to EDL, refer to OFP [Volume VI, Chapter 1, Definition and Principles for Recognition of Liabilities](#), and [Chapter 21, Contingent Liabilities](#). EDLs must meet the same criteria as contingent liabilities for the accounting and reporting. Financial reporting requirements are found in the [Office of Management and Budget's \(OMB\) Circular No. A-136, Financial Reporting Requirements](#).

¹ Cleanup may be deferred for other reasons, such as availability of resources. However, this type of deferral does not affect the recognition of the liability.

0802 POLICIES

080201 IDENTIFICATION AND RECOGNITION OF POTENTIAL EDLS.

A. In accordance with applicable environmental protection laws, VA will take the necessary action to identify and remedy all environmental conditions that pose a hazard to its employees or the general public and may adhere to the more stringent law or regulation when applying the standard, whether State or Federal. This identification will be achieved through survey, inspection and assessment. Refer to [Section 080501](#) for additional procedures and [Appendix A, Relevant Environmental Cleanup Laws](#), for laws that VA may be subject to, and [Appendix B, Background Information for EDLs](#).

B. VA will recognize a liability for environmental cleanup costs as a result of a past transaction or event, when a future cost or other sacrifice of resources is probable and reasonably estimable, in accordance with FASAB requirements in [SFFAS No. 5 and No. 6 and Technical Release No. 2](#), as appropriate. The EDL would relate to known contamination that exists today and will be quantified based on written estimates provided by the local facility's Engineering Service. Refer to [Appendix C, Determination of Probable Environmental Liabilities](#), and [Appendix D, Determination of Reasonably Estimated Environmental Liabilities](#), for applicable worksheets.

080202 ESTIMATING CLEANUP COSTS. VA will estimate the potential cleanup costs associated with newly identified and outstanding known projects. Cleanup costs may include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs. Cost estimates will be based on methodology identified by the VA Office of Asset Enterprise Management (OAEM) Environmental Affairs Program, to include industry tools, such as RSMMeans,² together with other necessary surveys, inspections and assessments.

The Chief of the finance activity, in coordination with the facility engineers or environmental managers, will routinely update environmental cleanup cost estimates. Refer to [Section 080502](#) for additional procedures. The Veterans Health Administration (VHA) is required to complete [Appendix E, Environmental Liability Cost Estimation Worksheet for VHA Engineering Staff](#). Other administrations or staff offices may choose to use this worksheet or prepare their own.

080203 RECORDING THE EDL. VA will record, in the accounting system, all estimated future costs for EDL cleanup activities for which VA is responsible or has acknowledged responsibility and the EDL is both probable and reasonably estimable. Refer to [Section 080503](#) for additional procedures. VHA is required to complete [Appendix F, Environmental Liability Report Worksheet for VHA Accounting/Financial Staff](#). Other administrations or staff offices may choose to use this worksheet or prepare their own documentation.

² RSMMeans is a 3rd party application used by engineering consultants to book liabilities for environmental issues related to asbestos and lead paint.

080204 FINANCIAL REPORTING AND DISCLOSURE OF AN EDL. VA will comply with financial reporting requirements described in pronouncements of the FASAB and OMB circulars in preparing quarterly and annual financial statements. VA will ensure that any amount reported on the face of the financial statements or disclosed in the notes as an EDL is supported by documentation that describes the EDL's likely occurrence and any reasonable estimate. Known and potential contingent EDLs will be presented in the notes to the financial statements. Additional information on EDLs may also be described in other parts of the annual Performance and Accountability Report (PAR) to achieve full disclosure. Refer to [Section 080504](#) for additional information and [OMB A-136, *Financial Reporting Requirements*](#).

0803 AUTHORITY AND REFERENCES

080301 [40 C.F.R. Vol. 1-32, Protection of Environment](#)

080302 [Federal Accounting Standards Advisory Board \(FASAB\), Statement of Federal Financial Accounting Standards \(SFFAS\) No. 5, Accounting for Liabilities](#)

080303 [FASAB, SFFAS No. 6, Accounting for Property, Plant and Equipment](#)

080304 [FASAB, SFFAS No. 12, Recognition of Contingent Liabilities Arising From Litigation: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government](#)

080305 [FASAB, Technical Bulletin \(TB\) 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs \(As amended by TB 2011-2, Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs\)](#)

080306 [FASAB, Federal Financial Accounting and Auditing Technical Release \(TR\) No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government](#)

080307 [FASAB TR No. 10: Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment](#)

080308 [FASAB TR No. 11, Implementation Guidance on Cleanup Costs Associated with Equipment](#)

080307 [Office of Management and Budget \(OMB\) Circular A-136, *Financial Reporting Requirements*](#)

080309 [VA Environmental Management Program](#)

080310 [OFP Publications Library](#)

080311 [VA Environmental Directives and Handbooks](#)

0804 ROLES AND RESPONSIBILITIES

080401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the [Chief Financial Officers Act of 1990](#) and [38 U.S.C. 309](#). Responsibilities include the direction, management, and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO is also responsible for developing and maintaining integrated accounting and financial management systems and overseeing all aspects of financial management.

080402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Finance Officers, Chiefs of Finance Activities, Fiscal Officials, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter. For additional duties related to environmental programs, refer to the duties prescribed in VA Directive 0057, *VA Environmental Management Program*, and Directive 0064, *VA Environmental Management Systems (EMS)*.

080403 The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations. The Management and Financial Reports Service (047GB) within OFP is responsible for preparing various comprehensive financial reports, such as those required by the President and the executive branch, including OMB/Department of the Treasury (Treasury) reports from the Hyperion (MinX) software. OFP is also responsible for working with the Office of Inspector General's independent contract auditors on VA's annual Consolidated Financial Statements audit and preparing and reviewing Consolidated Financial Statements, Notes and Required Supplementary Information, etc.

080404 The Office of Acquisition and Logistics (OAL) is responsible for the acquisition policy of all PP&E purchases (except major construction and real property) and disposal of personal property, and supports VA's vast array of diverse programs and functions, involving expenditures for supplies and services. It also has a Governmentwide role in the supply management of medical supplies and non-perishable subsistence.

080405 The Office of Asset Enterprise Management (OAEM) provides oversight in the capital asset arena and ensures a consistent and cohesive Department approach to capital asset management. OAEM serves as the principal policy office and business advisor regarding the acquisition, management, and disposal of all VA capital assets (real property). In addition, the OAEM Director serves as the VA Senior Sustainability Officer, overseeing the development and implementation of procedures and processes related to EMS and reporting, working with counterparts in other VA organizations to ensure EMS issues are addressed in all programs, and resolving policy differences among organizations regarding EMS issues, strategies, or procedures.

080406 The Office of Construction and Facilities Management (CFM) is responsible for providing major construction and lease project management; design and construction standards; and historic preservation services. CFM acquires fee-simple or lessor (including easements, licenses, permits and leases) interest in real property; executes all VA major construction; is responsible for financial execution of major construction and lease projects and transfer of disbursement authority for minors; and reports to the Principal Executive Director, Office of Acquisition, Logistics, and Construction. CFM will work with Green Environmental Management System (GEMS) owners, an EMS representative, or facility engineers to ensure appropriate environmental cleanup costs are reported for major construction projects.

080407 The Facility Engineering Service, Environmental Manager, or EMS representative is responsible for providing appropriate and documented environmental liability estimates to include supporting EDL and cost estimate documentation. Facility engineers should review EDL cost estimates on a quarterly basis for adjustments that may be needed due to inflation, remediation, etc. Adjustments will be provided to the respective finance activity for recording.

080408 The GEMS program office is the VHA EMS. GEMS is responsible for the overall coordination of environmental responsibilities across all VA health care medical facility programs. GEMS is also responsible for environmental compliance, including efforts related to asbestos removal and lead abatement. GEMS works with the Facility Engineering Service to ensure appropriate environmental cleanup costs are reported.

0805 PROCEDURES

080501 IDENTIFICATION AND RECOGNITION OF POTENTIAL EDL. Contamination may occur from past or current operations or unsanctioned activities that result in releases of hazardous substances.

080501.01 IDENTIFICATION.

A. Facility engineers or environmental managers will take appropriate measures to identify contamination at its facilities through survey, inspection and assessment. These measures are part of a continuous EMS program which works cooperatively with facility engineers at VA local facilities to ensure appropriate environmental cleanup costs for identified EDL sites/facilities are reported. Local facility engineers or environmental managers will quantify EDL based on written estimates.

B. Facility engineers or environmental managers will make a reasonable effort (i.e., environmental due care) to examine facilities to identify the presence or likely presence of contamination at concentrations significant enough to require further study or cleanup. A site/facility that is suspected to be contaminated, based on known past activities or observed physical indicators, but where environmental due care has not been conducted, will be identified as a location of concern (LOC).

C. Facility engineers or environmental managers, along with the EMS coordinator, will not identify a site/facility as an EDL until environmental due care has been conducted. If the due care results indicate that further action (e.g., study or cleanup) is warranted, the site/facility will then be identified as an EDL.

D. Activities conducted using due care will include, but are not limited to, the following:

1. Inquiry into records that are available from Federal, state and/or local jurisdictions that show whether there has been a release or suspected release of hazardous substances on VA property (or adjacent property that could impact VA's property);
2. Investigation of complaints regarding abnormal health conditions or concerns raised by VA employees or the general public regarding VA's sites/facilities;
3. Visual site/facility inspection of any portions of the property where environmental contamination is known or suspected; and
4. Collection and analysis of selected samples as necessary.

E. Facility engineers or environmental managers, along with the EMS coordinator, will document the date and results of the due care measures conducted and any actions performed and retain them in VA files.

080501.02 RECOGNITION CRITERIA. VA will recognize a liability for environmental cleanup costs as a result of a past transaction or event, when a future cost or other sacrifice of resources is probable and reasonably estimable. The following outlines the related tests for this determination.

A. Past Event Test. VA will recognize a liability for environmental cleanup costs as a result of a past transaction or event when a future cost or other sacrifice of resources is probable and reasonably estimable, in accordance with [SFFAS No. 5, Accounting for Liabilities of the Federal Government](#). The test for probability must take into consideration two possible scenarios as depicted in [Appendix C, Determination of Probable Environmental Liabilities](#), and described in [FASAB Technical Release No. 2](#).

1. The first scenario is when there is a known contamination that is related to a Federal Government (e.g., VA) operation and the Federal Government has a legal liability to affect cleanup; or
2. The second scenario is when the Federal Government knows of a contamination, but it is not connected to a Government operation and there is no legal liability to affect cleanup, but the Government acknowledges financial responsibility for cleanup.

Note: For more specific guidance on the first scenario, refer to [FASAB, Technical Release No. 2](#).

B. Probability Test. Once an EDL has been identified, facility engineers or environmental managers in coordination with the finance activity will determine whether there is a likelihood that a future outflow or other sacrifice of resources (costs) may result based on the following:

- Probable. The chance that the future confirming event or events can reasonably be expected or believed to be more likely than not to occur given available evidence or logic, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the chance of the future confirming event or events is likely to occur.
- Reasonably Possible. The chance of the future confirming event or events occurring is more than remote but less than probable.
- Remote. The chance of the future event or events occurring is slight.

Note: Facility engineers or environmental managers, along with the EMS coordinators, make the probability determination and written cost estimate. The chief of the finance activity will verify the cost information.

C. Reasonably Estimable Test. Once the test for probability has been completed, the finance activity will apply tests for reasonably estimable to both active and closed sites. Cost estimate should be based on current technology. The application of these tests is depicted in [Appendix D, Determination of Reasonably Estimated Environmental Liabilities](#); more specific guidance can be found in [FASAB Technical Release No. 2](#).

1. The chief of the finance activity, in coordination with the facility engineers or environmental managers, will consider the following factors (tests) in determining whether future cleanup costs can be reasonably estimated:

- Completion of an Engineering Evaluation/Cost Analysis, Remedial Investigation/Feasibility Study, Corrective Measures Study or other study;
- Experience with a similar site and/or conditions; and
- Availability of cleanup technology.

2. The cost estimates will be based on the application of professional environmental engineering knowledge, using all relevant information and meaningful site comparisons and include both direct and indirect costs.

a. For EDL requiring the development of cleanup costs, the costs of environmental cleanup associated with buildings (e.g., friable and nonfriable asbestos³ removal and lead-based paint abatement) will be estimated using information available in an acceptable industry tool or RSMeans publications. If estimated cleanup costs for a particular condition are not included in RSMeans publications, another industry-based cost estimating publication may be used. The alternative method used for cost estimating, to include the publication, will be noted.

b. The costs for other non building-related environmental cleanup, including, but not limited to, Superfund/Resource Conservation and Recovery Act cleanup, cleanup and other work related to underground storage tanks and closure of landfills currently or previously owned/operated by VA facilities, will be estimated using sound engineering cost estimating principles including cost estimating publications (e.g., RSMeans publications) and information developed by consultants or qualified facility staff. Environmental cleanup costs will be estimated to consider the full scope of environmental cleanup needed to meet the environmental requirements, not just projects that are planned or are in progress.

c. Previously developed cost estimates that have not been previously reported in the financial statement for environmental cleanup and prepared within the past 3 years are acceptable if documentation exists showing in detail how the costs were developed and sound engineering cost principles were used.

(1) If previously developed cost estimates are acceptable, adjustments may be made to update the old cost estimates, as determined appropriate by the CFO or designee, using the current non-pay inflation factor issued by OMB, unless a waiver is granted by the CFO to use an alternate factor.

(2) If previously developed cost estimates are not appropriately documented or based on sound engineering cost principles, the costs of cleanup should be re-estimated using information available through an acceptable industry tool or RSMeans publications.

3. The direct and indirect costs should include the following when estimating cleanup activities or the portion not yet completed:

- Studies, plans, designs, removal activities, cleanup activities and cleanup operations (to include operation and maintenance⁴ costs of cleanup systems) necessary to comply with applicable legal and regulatory requirements and the costs of contractors, engineers and consultants;
- Machinery and equipment dedicated to a response action (removal or remedial) that do not have alternative uses and their associated operating and maintenance costs;

³ Refer to [FASAB Technical Bulletin 2006-1: Recognition and measurement of Asbestos-Related Cleanup Costs](#).

⁴ Do not include deferred maintenance and repairs as part of the estimate for cleanup costs. Refer to Volume V, Chapter 9, *Property, Plant, and Equipment*.

- Compensation and benefits of Government personnel who devote significant time to an environmental cleanup effort; and
- Long-term monitoring associated with a response action.

080502 ESTIMATING CLEANUP COSTS.

A. Facility engineers or environmental managers will take the lead on developing the cost estimates with input from the EMS coordinators and the finance activity. The EDL cost estimates will include direct costs, such as materials used for cleanup, and indirect costs, such as administrative support, that cannot be directly traced to the project but are allocated to the project. Clean-up costs may include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs. Although subjective, cost that are not directly traced to the project should be reviewed for accuracy and the ability to support. For example, asbestos remediation or removal in a ceiling may include the cost to restore the ceiling; however, it would not include an overall renovation to the complete area. Those costs would be expensed or capitalized, as appropriate.

B. Facility engineers or environmental managers will estimate the cost of an EDL based on known contamination that exists today. Computations of similar prior projects or estimates produced by independent contractors will be used as a guide for new estimates. The cost estimation worksheet used by VHA facility engineers is contained in [Appendix E, Environmental Liability Cost Estimation Worksheet for VHA Engineering Staff](#).

C. VA will estimate the cleanup costs for both existing and future liabilities in accordance with [SFFAS No. 5](#) and [No. 6](#). If cleanup costs are probable and estimable, VA will recognize the corresponding liability. Refer to sections [080503 Recording an EDL](#) and [080504 Financial Reporting and Disclosure of an EDL](#).

1. Cleanup cost information related to friable and non-friable asbestos that are probable but are not reasonably estimable will be provided to the finance activity. Per FASAB guidance, [SFFAS No. 5](#), [SFFAS No. 6](#), and [TR No. 2](#), the known cleanup cost information will be disclosed in a note to the financial statements.
2. VA will estimate the costs for other non building-related environmental cleanup, such as Superfund/Resource Conservation and Recovery Act cleanup, cleanup and other work related to underground storage tanks and closure of landfills currently or previously owned/operated.
3. For other hazardous cleanup, even if an estimate cannot be made, any significant contamination will be communicated to the finance activity. The chief of the finance activity will communicate the information to the administration or staff office CFO for further determination.

4. More specific guidance on recording or disclosing cleanup costs is located in the following FASAB guidance:

- [FASAB, Technical Bulletin \(TB\) 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs \(As amended by TB 2011-2, Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs\)](#)
- [FASAB, Federal Financial Accounting and Auditing Technical Release \(TR\) No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government](#)
- [FASAB TR No. 10: Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment](#)
- [FASAB TR No. 11, Implementation Guidance on Cleanup Costs Associated with Equipment](#)

D. The chief of the finance activity, in coordination with the facility engineers or environmental managers, will routinely update environmental cleanup costs and estimates. Updating such costs should be done for work associated with projects, as well as work associated with any new cleanup efforts that have been identified as associated with the original effort, using the same approach that was used to initially estimate costs. For example, if the estimated cost of removing asbestos in a VA building was calculated using RSMeans publications, environmental cleanup costs should be re-estimated using RSMeans publications. Any costs expended in the removal of asbestos in the prior reporting period should be excluded from the original cost estimate that is being updated. If it becomes necessary to change the method used to estimate and update environmental cleanup costs, such change should be justified and documented appropriately.

1. Apply the following guidance when updating environmental cleanup cost estimates:

- For cleanup not yet completed, use industry-based construction indices to update the cost estimate;
- For completed environmental cleanup, show reduced costs to reflect work that has been completed;
- For additional environmental cleanup that increases the scope of the project, provide updated estimate; and
- For new environmental cleanup work needed at the facility, provide updated estimate.

2. The chief of the finance activity will review the documentation to ensure the estimates are supportable and maintain the documentation of EDL cost estimates furnished by the facility engineers or environmental managers.

080503 RECORDING AN EDL.

A. The chief of the finance activity will record an estimated cumulative liability for the cleanup costs of an EDL, based on information furnished by field engineers when all of the following conditions are met:

- A past event, such as a condition that requires future cleanup, has occurred;
- A future outflow or other sacrifice of resources is probable; i.e., it is more likely than not that VA will expend resources for the cleanup; and
- The future outflow or sacrifice of resources for the cleanup is measurable or estimable.

1. After the criteria has been verified, the chief of the finance activity will work with the facility engineer or environmental managers to prepare the estimate to be entered into the accounting system. VHA will use the worksheet in [Appendix F, Environmental Liability Report Worksheet for VHA Accounting/Financial Staff](#). The finance activity will verify the cost estimate calculation and ensure the estimates are supportable.

2. The chief of the finance activity will then record the EDL cost estimate in the appropriate Assets and Miscellaneous Accounts Fund (AMAF) or other fund.

3. Descriptions of the budget object codes used for recording obligations associated with EDL activities are presented in [Appendix G, Budget Object Codes \(BOC\)](#).

B. Based on the cost estimate initially entered into the accounting system, the finance activity, in conjunction with the facility engineers or environmental managers, will review the estimate quarterly or annually, as determined by the administration or staff office. The finance activity will adjust the estimated cumulative liability for any changes in the hazardous waste clean-up costs. Adjustment should be made without reversing the original entry and supporting documentation retained. VHA will use the worksheet in [Appendix F, Environmental Liability Report Worksheet for VHA Accounting/Financial Staff](#), when calculating the adjustments.

C. Cleanup cost Incurred.

1. For Recorded EDL Cost Estimate. As cleanup costs are incurred, VA will record the resulting obligation, payable, and expense in accordance with SFFAS No. 5 and No. 6 in the appropriate BOC. These transactions do not adjust the cost estimate in standard general ledger (SGL) 299A, Accrued Unfunded Clean-up Cost transaction. The facility engineers or environmental managers will work with the respective finance activity to

ensure that the estimates are adjusted either quarterly or annually. At a minimum, the estimate will be adjusted annually.

a. Facility engineers or environmental managers will notify the finance activity when a valid invoice has been received that is certified and scheduled for payment. VHA will use the worksheet in [Appendix F, Environmental Liability Report Worksheet for VHA Accounting/Financial Staff](#), to properly reduce the cost estimate.

b. At least annually, the finance activities should review transactions that have been recorded against the hazardous waste BOCs. These should be used in reviewing the final cost estimates and adjustments provided by the facility engineers or environmental managers in their adjustment calculations.

2. For an EDL Cost Estimate not Recorded (Accrued). VA will record the resulting obligation, payable, and expense in accordance with SFFAS No. 5 and No. 6 in the appropriate BOC. If the amount expensed is not the full amount of the cleanup cost at the end of the year, a cost estimate for the remainder will be recorded as an accrual. The finance activity will review the supporting documentation in accordance with the procedures above before entering the accrual.

D. The Financial Accounting Service at the Financial Services Center in Austin will reverse the year end balance in SGL Account 299A, Accrued Unfunded Clean-up Costs, in November of each year. An offsetting entry will be made to SGL Account 6801, Hazardous Waste Clean-up Cost.

080504 FINANCIAL REPORTING AND DISCLOSURE OF AN EDL.

A. VA will comply with Federal financial reporting requirements, which require quarterly reporting of contingent EDLs,⁵ as part of submitting unaudited quarterly financial statements or annual reporting, as part of the year-end financial reporting requirements, including audited financial statements.

B. VA will report the estimated future cleanup costs resulting from past or current operations with environmental closure requirements or a release of hazardous waste substances, pollutants or contaminants, including friable and nonfriable asbestos, for which VA is responsible to the extent that it is both probable and reasonably estimable. Hazardous waste cleanup costs are recorded for equipment, buildings, other structures or land. See [Appendix G, Budget Object Codes \(BOCs\)](#), for the respective BOCs.

C. In accordance with [OMB Circular A-136, Financial Reporting Requirements](#), VA will report the following information (an integral part of the EDL standard general ledger account balance) regarding environmental hazards resulting from ongoing operations.

1. Sources of cleanup requirements;

⁵ Refer to Volume VI, [Chapter 21, Contingent Liabilities](#), for additional information.

2. Method for assigning estimated total cleanup costs to current operating periods;
3. Unrecognized portion of estimated total cleanup cost associated with general PP&E;
4. Material changes in total estimated cleanup costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations; and
5. Nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology or applicable laws and regulations.

D. VA will ensure that any amount recognized on the face of the financial statements as an EDL is supported by documentation indicating the EDL's likely occurrence and its probability and estimability.

- If the likelihood of occurrence is probable and reasonably estimable, the amount will be reported in the financial statements.

- If the amount cannot be reasonably estimable, then Note disclosure is required.

1. For Note disclosure on the Consolidated Financial Statements, VA's Management and Financial Reports Service will base the Note content on information obtained in a quarterly request for VA's estimated liability.

2. VA will disclose information related to friable and non-friable asbestos-related cleanup costs that are probable, but not reasonably estimable, in a note to the financial statements, consistent with [SFFAS No. 5](#), [SFFAS No. 6](#), and [TR No. 2](#).⁶

E. VA will report cleanup costs as "Other Liabilities" if they are not material to the balance sheet. Cleanup costs that exceed the materiality threshold are reported separately as "Environmental and Disposal Liabilities." Refer to [OMB A-136, Financial Reporting Requirements](#), for presentation in the financial statements.

F. At year end, VA will report all known potential/contingent EDLs in the Department's Representation Letter provided to VA's independent auditor of the annual consolidated financial statements. For more details on the preparation and content of this letter, refer to [Volume VI, Chapter 21, Contingent Liabilities](#).

⁶ In accordance with FASAB TB 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*.

0806 DEFINITIONS

080601 Asbestos. A widely used, mineral-based material that is resistant to heat and corrosive chemicals. Typically, commercial asbestos appears as a whitish, fibrous material which may release fibers that range in texture from coarse to silky; however, airborne fibers that can cause health damage may be too small to see with the naked eye.

080602 Budget Object Codes (BOC). Categories in a classification system that present obligations by the items or services purchased by the Federal Government.

080603 Cleanup. Efforts that include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure and post closure costs.

080604 Cleanup Costs. The costs of removing, containing and/or disposing of (1) hazardous waste from property or (2) material and/or property that consists of hazardous waste at a permanent or temporary closure or shutdown of an associated PP&E.

080605 Contingency. An existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm a gain (i.e., acquisition of an asset or reduction of a liability) or a loss (e.g., collectability of receivables, pending or threatened litigation, possible claims and assessments).

080606 Contingent Liability. A liability representing an amount that is recognized as a result of a past event where a future outflow or other sacrifice of resource is probable and measurable. A contingent liability should be disclosed in the notes to the financial statements if any of the conditions for liability recognition (probable and measurable) are not met and there is a reasonable possibility that a loss or additional loss may have been incurred. Disclosure should include the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability or a statement that such an estimate cannot be made.

080607 Disclosure. Reporting information in notes or narrative regarded as an integral part of the basic financial statements.

080608 Environmental Due Care. The reasonable effort to examine a location of concern to identify the presence or likely presence of contamination at concentrations significant enough to require further study or cleanup.

080609 Environmental and Disposal Liability (EDL). An anticipated future outflow or other sacrifice of resources (e.g., funds) where, based on the results of environmental due care, further study or cleanup is warranted due to past or current operations that

have environmental closure requirements or a release of hazardous substances in Department lands or facilities.

080610 Friable. Any material containing more than 1 percent asbestos that, when dry, can be crumbled, pulverized or reduced to powder by hand pressure.

080611 Hazardous Waste. 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 hazard to human health or the environment when improperly treated, stored, transported, disposed of or otherwise managed.

080612 Liability. A future outflow or other sacrifice of resources as a result of past events or transactions for which VA is responsible.

080613 Liability Status. The likelihood (*probable, reasonably possible or remote*) that VA will be required to incur a future outflow or other sacrifice of resources for some or all of the study or cleanup at an EDL site.

080614 Location of Concern (LOC). An area within the jurisdiction, custody or control of a Department office that is suspected to be contaminated based on known past activities or observed and reported physical indicators, but where no due care has yet been conducted.

080615 Materiality. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

080616 Measurable. Reasonably estimable.

080617 Non-friable. Any material containing more than 1 percent asbestos that, when dry, cannot be crumbled, pulverized or reduced to powder by hand pressure.

080618 Probable. Defined as that which can reasonably be expected or believed to be more likely than not on the basis of available evidence or logic, with the exception of pending or threatened litigation and unasserted claims⁷. The probability of a future

⁷ Per SFFAS No. 12, the concept of probability is imprecise and difficult to apply with respect to most legal matters. The "more likely than not" phrase suggests greater precision than is attainable when assessing the outcome of matters in litigation. Accordingly, in the context of assessing the outcome of matters of pending or threatened litigation and unasserted claims and recognizing an associated liability, "probable" refers to that which is likely, not to that which is more likely than not. Note that the remaining two criteria for recognizing a liability--that is, a past event or exchange transaction has occurred and the future outflow or sacrifice of resources is measurable--also must be met before recognizing a contingent liability in matters involving litigation.

outflow or other sacrifice of resources is assessed on the basis of current facts and circumstances. These current facts and circumstances include the law that provides general authority for Federal entity operations and specific budget authority to fund programs.

080619 Reasonably Estimable. Relates to the ability to reliably quantify in monetary terms the outflow of resources that will be required.

080620 Reasonably Possible. The chance of a future confirming event or events occurring is more than remote but less than probable.

080621 Recognize. Refers to the formal recording or incorporating of an item into VA’s financial statements as an asset, liability, revenue, expense, etc.

080622 Remote. The chance of the future event(s) occurring is slight.

080623 RSMeans. RSMeans is North America's leading supplier of construction cost information. A product line of Reed Construction Data, RSMeans provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects.

080624 Sites/facilities. Refers to the specific locations where VA must remedy negative and harmful environmental conditions.

0807 RESCISSIONS

080701 Volume VI Chapter 8, *Environmental and Disposal Liabilities*, September 2010

0808 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFPP Accounting Policy (APPS) (Outlook)

0808 REVISIONS

Section	Revision	Office	Effective Date
Overall	Clarified FASAB TB 2006-1 throughout.	APPS	October 2012
0801 Overview	Added reference to Volume V Chapter 9 PP&E.	APPS	October 2012

Section	Revision	Office	Effective Date
0801 Overview and 0802 Policies	Incorporated Overview numbered paragraphs into Policies section. Duplicate information deleted.	APPS	October 2012
080502 C. 1. Cleanup Costs	Included clarification for asbestos estimates.	APPS	October 2012
080503 C. Recording	Included additional steps for recording and reducing the unfunded liability.	APPS	October 2012
Appendix G	Added example worksheet for EDL estimate.	APPS	October 2012
Appendix H	Updated related BOCs.	APS	October 2012

APPENDIX A: RELEVANT ENVIRONMENTAL CLEANUP LAWS⁸

A. PRINCIPAL ENVIRONMENTAL LAWS

- Comprehensive Environmental Response Compensation and Liability Act of 1980 (CERCLA or Superfund) and subsequent amendments
- Resource Conservation and Recovery Act (RCRA)
- Clean Air Act
- Clean Water Act

B. OTHER ENVIRONMENTAL LAWS

- Safe Drinking Water Act
- Toxic Substances Control Act
- Federal Insecticide, Fungicide and Rodenticide Act
- Pollution Prevention Act 1990
- Federal Facilities Compliance Act
- Nuclear Regulatory Act and its amendments
- Emergency Planning and Community Right-to-Know Act

C. STATE LAWS

- For Federal cleanup activities, state standards may apply, which are at least as stringent as Federal laws.

D. FOREIGN LAWS

- As applicable.

⁸ VA's General Counsel should confirm which laws are applicable to VA.

APPENDIX B: BACKGROUND INFORMATION FOR POTENTIAL EDLS

The following questions help enhance the understanding of environmental and hazardous cleanup costs. As outlined in the policy, facility engineers or environmental managers are responsible for taking appropriate measures to assess and identify EDLs. Reference material they have takes precedence over these examples.

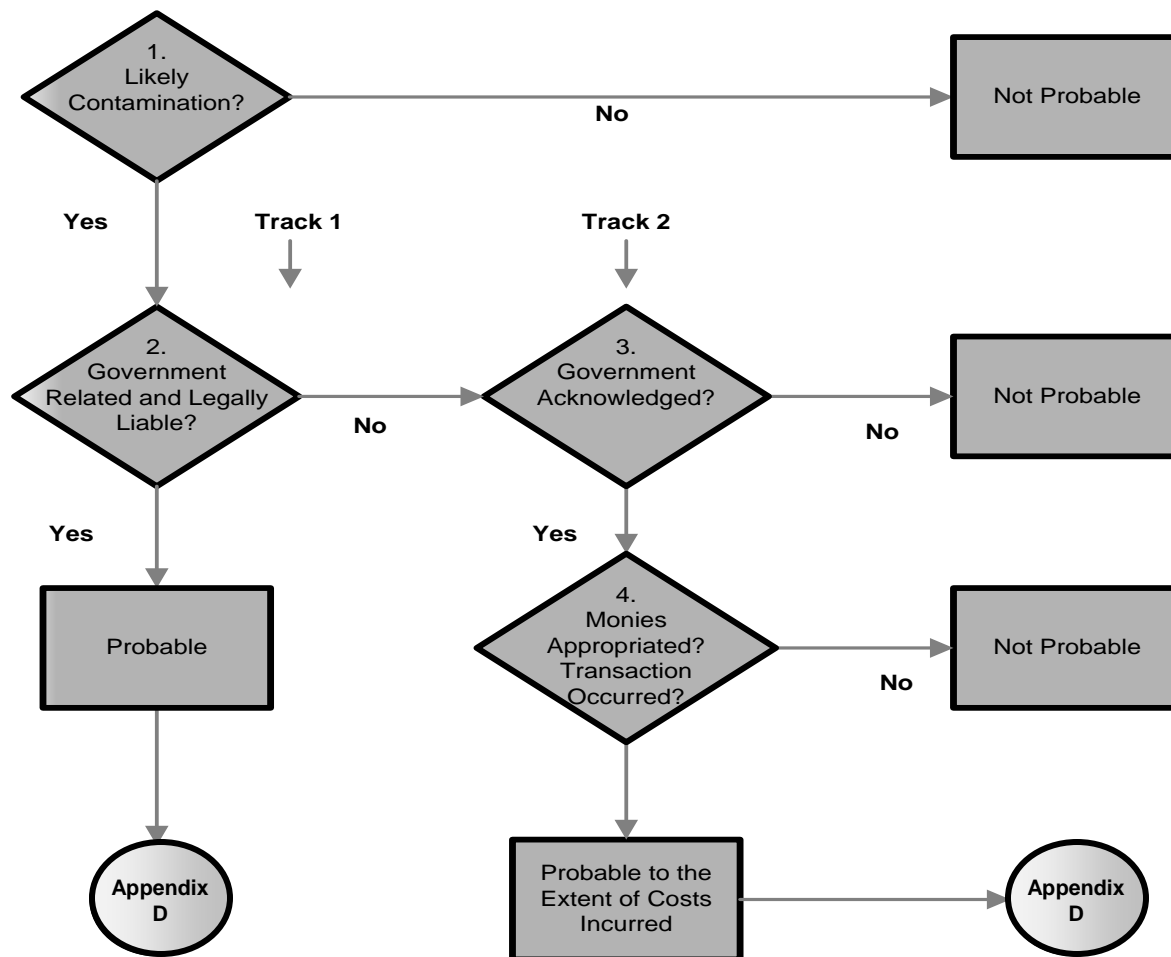
- Do any of the buildings on facility property contain regulated asbestos containing material (RACM) as defined by [40 CFR Part 61 Subpart M – National Emission Standards for Hazardous Air Pollutants](#)? (Note: RACM means (a) Friable asbestos material, (b) Category I non-friable ACM that has become friable, (c) Category I non-friable ACM that will be or has been subjected to sanding, grinding, cutting, or abrading, or (d) Category II non-friable ACM that has a high probability of becoming or has become crumbled, pulverized, or reduced to powder by the forces expected to act on the material in the course of demolition or renovation operations regulated by 40 CFR Part 61 Subpart M.
- Has the facility been named a responsible party for an offsite Superfund (CERCLA) site in a legally executed document such as a consent decree where payment of a specified amount of funds will have to be paid out of VA appropriated funds?
- Is the facility legally required under federal, state or local requirements including those related to CERCLA and RCRA to clean up or affect closure of on-site hazardous or non-hazardous solid waste management units such as a landfill? (Note: This would not include cleanup resulting from a release of hazardous material where cleanup is affected in the short term (i.e., as soon as feasible after the release is discovered).) Additionally, is the facility legally required under Federal, state or local requirements including those related to CERCLA and RCRA to participate in long-term cleanup of any on-site or off-site hazardous material releases?
- Is the facility legally required under Federal, state or local requirements including those related to CERCLA and RCRA to clean up any off-site hazardous or non-hazardous solid waste management units such as a landfill? (Note: This would not include cleanup resulting from a release of hazardous material where cleanup is affected in the short term (i.e., as soon as feasible after the release is discovered).
- Does their facility have buildings or facility property painted with lead-based paint where federal, state or local requirements require that soil contaminated by lead be cleaned up? (Note: This applies only to the cleanup of contaminated soil.)
- Does the facility plan to permanently shut down, or demolish/deconstruct facility buildings and building systems (e.g., incinerator) that contain sufficient quantities of hazardous waste to require handling and disposal of the waste material or building rubble as a hazardous waste? (Note: This would not include buildings or building

systems for which closure or demolition/deconstruction is not planned or required by Federal, state, local or VA requirements.)

- Have federal, state or local regulators or the facility identified any leaking underground or above ground storage tanks that require cleanup of contaminated soil or contaminated groundwater?
- Does the facility have any other situation that would require cleanup of hazardous waste or material that is not related to routine operation and maintenance? If so, please describe: _____.

APPENDIX C: DETERMINATION OF PROBABLE ENVIRONMENTAL LIABILITIES

Derived from [FASAB, Technical Bulletin \(TB\) 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs](#) (as amended). This diagram displays the two tracks that VA will consider in determining probable liability. Track 1 is Government related and has a legal liability for cleanup; Track 2 is Government acknowledged, but is not connected to Government operations. The steps in the diagram are further clarified for guidance below. To determine probability, all of the steps in a track must be reviewed. This depiction is continued in [Appendix D](#), after the assumption has been made that the likelihood is probable for determination of environmental liabilities.



Step 1. Is there Known Contamination?

If, after making a reasonable effort to identify the presence of contaminants, a VA facility determines that contamination does not exist, then no environmental liability costs are reported. Reasonable effort involves evaluating available data and existing site

information; new environmental testing and the development of new documentation/information may exceed what is considered a reasonable effort.

From an audit perspective, it is important to start with a comprehensive list of physical assets (property, plant, and equipment) where contaminants may be present. This could possibly come from a Facility Condition Assessment or some other asset management database. Facility engineers or environmental managers should review their records to ensure that all physical assets are included. A minimum requirement would be to affirm whether or not each asset contains some form of contamination. Indicate "yes", "no", or "uncertain". Any "uncertain" designations should be accompanied by an explanation indicating the following:

Reasons for the uncertainty:

- If a likelihood of significant contamination exists, the engineer's professional judgment should be used to describe what has been done to mitigate the hazard and what hazard might remain;
- There is a likelihood or evidence that significant contamination is present or likely to occur in the future.

A survey should be reviewed for reasonableness and either updated or annotated to indicate any significant changes in assets or conditions. If none, so state and indicate the date of review. Contaminants may include petroleum products, materials or waste defined to be hazardous by the Environmental Protection Agency (EPA), state environmental regulators, the Occupational Safety and Health Administration (OSHA) or the Department of Transportation (DOT). Contaminants or situations at facilities that may require the reporting of environmental liabilities costs include, but are not limited to the presence of:

- Friable asbestos and non-friable asbestos that may become friable upon demolition or renovation of a building.
- Soil contaminated by lead-based paint at or near the drip line of VA buildings.
- Soil contaminated by petroleum products leaking from aboveground or underground storage tanks or dispensing stations.
- Landfill at which solid waste was disposed.
- Hazardous materials or waste that is spilled or released.
- On-site or off-site responsibility for cleaning up a Superfund site.
- Polychlorinated Biphenyl (PCB) Transformers or any soil contaminated with PCBs.

If it is determined that contaminants are present, VA may need to report an environmental liability cost. Steps 2 and 3 aid in the determination of responsibility or acknowledgement.

Step 2. Is the contamination related to VA actions and is VA legally liable to effect cleanup?

If it is determined that VA actions caused the contamination or VA is legally required by statute, regulation, or Executive Order to clean up contamination or pay for cleanup (e.g., pay for waste improperly disposed of by a contractor), an environmental liability cost may be reportable. (See Step 5)

Even if an estimate cannot be made, any significant contamination needs to be communicated to the finance activity. The chief of the finance activity will communicate the information to the Administration or staff office CFO for possible disclosure in the footnotes to financial statements.

If it is determined that VA actions did not cause the contamination and VA is not legally required to effect or pay for cleanup, VA needs to determine whether there are other reasons why it should formally take financial responsibility for effecting cleanup of the contamination as described in Step 3.

Step 3. Does the Government acknowledge financial responsibility for cleanup even though it did not cause the contamination or is otherwise not legally responsible for the cleanup?

Although it would be unusual for VA to accept financial responsibility for the cleanup of contamination caused by others, VA may assume responsibility for cleanup as a matter of employee or public welfare or safety.

If VA determines that other requirements exist for it to formally accept financial responsibility, VA will determine whether monies have already been appropriated to pay for the cleanup or the facility is expected to pay for the cleanup already performed (e.g., pay for emergency cleanup performed by a contractor).

Step 4. Are funds appropriated or is the facility expected to pay for cleanup already performed?

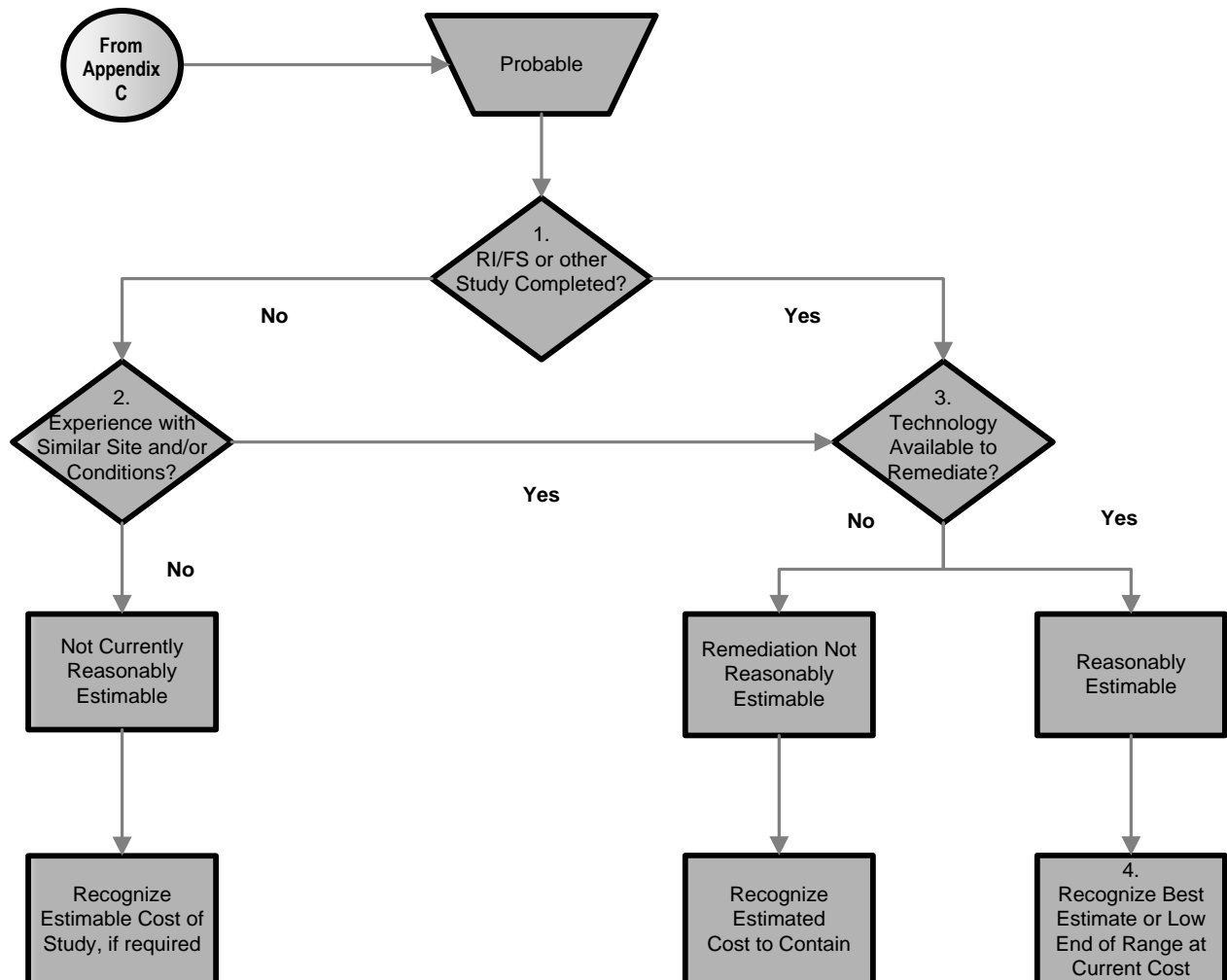
- If funds have been appropriated or VA is otherwise expected to pay for cleanup, environmental liability costs may be reportable.
- If funds have not yet been appropriated or VA is not expected to pay for cleanup, environmental liability costs would not be reported.

Step 5. Is there a known technology to effect cleanup?

If, after completing Steps 1 - 4, it is determined that VA may need to report environmental liability costs, a further determination should be made to determine whether there is a known technology to effect cleanup. If there is no known remediation technology or actual remediation is not feasible, no environmental cleanup costs would be reported. However, if environmental contamination is significant, the circumstances should be communicated to the finance activity. The chief of the finance activity should communicate the information to the Administration or staff office CFO for possible disclosure in the notes to financial statements.

APPENDIX D: DETERMINATION OF REASONABLY ESTIMATED ENVIRONMENTAL LIABILITIES

Derived from [FASAB, Technical Bulletin \(TB\) 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs \(as amended\)](#). This depiction begins with the assumption that costs associated with environmental damage have already met the test for probable as demonstrated in [Appendix C](#).



APPENDIX E: ENVIRONMENTAL LIABILITY COST ESTIMATION WORKSHEET FOR VHA ENGINEERING STAFF

Part I

Facility Name, VA Site No., Station Number, and Address
Site Location

Part II

Engineers	Print Full Name	Title	Phone #/Email	Date & Initial
Initial Surveyor				
Reviewer				

Part III

Clean-up Efforts Required	ESTIMATED CLEAN-UP COSTS As of _____ (MONTH/YEAR)				PRINCIPLES USED IN ESTIMATION (EX. RSMEANS)	
	Labor	Material	Equipment	Total	Method	Industry Publication
Environmental Clean-up Costs (fill in the sections that pertain; please note that the line items are examples)						
A. Monitoring Costs (this does not include facility operation and maintenance costs)						
Inspection						
Sampling & Testing						

Clean-up Efforts Required	ESTIMATED CLEAN-UP COSTS As of _____ (MONTH/YEAR)				PRINCIPLES USED IN ESTIMATION (EX. RSMEANS)	
	DATE OF CALCULATION OR STUDY:					
	Labor	Material	Equipment	Total	Method	Industry Publication
B. Remediation Cost (Breakdown by types of contaminants, e.g., asbestos removal and lead paint removal)						
C. Other Costs (Provide an Explanation)						
Other costs						
TOTAL						

Part IV

List name and location of work paper files where the supporting document for clean-up estimate is placed:

Chief Engineer, Facility Management Services, or Environmental Manager Certification: I hereby certify this estimate to be materially correct to the best of my knowledge.

 Signature

 Date

APPENDIX F: ENVIRONMENTAL LIABILITY REPORT WORKSHEET FOR VHA ACCOUNTING/FINANCIAL STAFF

The following worksheet is used to support recording a newly identified estimate, quarterly adjustments, and the follow-on fiscal years beginning estimate. The amounts will be verified by Finance for accuracy prior to entering into FMS. The initial and subsequent worksheets must be maintained to support the overall changes to the EDL estimate. Refer to the notes on p. 30 for additional information.

Part I

Facility Name and Address

Part II

Accountants	Print Full Name	Title	Phone #/Email	Date & Initial
Preparer				
Reviewer				
Engineer or Representative	Print Full Name	Title	Phone #/Email	Date & Initial
Preparer				

Part III (Amounts provided by Engineers. Refer to Notes.)

Contaminated Site	Contamination (Liability) Type	Initial Estimated Accrued Expense/ Liability As of mm/dd/yyyy (Initial or prior estimate)	ADJUSTMENTS FOR CURRENT FY__		Total Liability Estimate after adjustments As of mm/dd/yyyy (Quarter and end of FY)
			<i>Subtract:</i> Clean-up expenses incurred to date	<i>Add:</i> Additional costs due to emerging information	

Facility CFO Certification: I hereby certify this estimate to be materially correct to the best of my knowledge:

Signature	Date
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Notes:

Initial Estimated Liability column: The finance activity is responsible for verifying this amount to FMS.

- For a newly identify EDL estimate, only this column and the Total Liability are completed.
- For quarterly estimates, the Initial Estimate Liability reflects the amount last reported in the Total Liability column. At the end of the year, the amount reported in the Total Liability column is reported in the Initial Estimated Liability for the next fiscal year.
- For the beginning of the next fiscal year, the amount reported in the Initial Estimated Liability is the amount that was reported in the Total Liability column at the end of the prior year.

Adjustment columns:

- Subtract: This column should include actual expenses incurred year to date for hazardous material clean up or remediation as posted in FMS or downward adjustments to the cost estimate based upon a review. Actual expenses should include invoices that have been certified and scheduled for payment. The finance activity will verify the amount and then record the appropriate adjustment to the unfunded accrued liability.
- Add: This column should include upward adjustments to the cost estimate based upon the facility engineer review of the cost estimate. The finance activity will review and verify the supporting documentation prior to adjusting the unfunded accrued liability.

Total Liability column: The finance activity is responsible for verifying the amount in FMS.

- For newly identified EDL estimates, this column will equal the Initial Estimated Liability Column.
- For quarterly estimates, this column will change as adjustments are reported.
- For the beginning of the next fiscal year, the prior ending balance is reported in the Initial Estimated Liability column.

APPENDIX G: BUDGET OBJECT CODES (BOCS)

A. BOC 3156 - Hazardous Waste Cleanup of Personal Property – This BOC includes cleanup costs for removing, containing and/or disposing of hazardous waste from personal property. Hazardous waste is a solid, liquid or gaseous waste or combination of these wastes that because of its quantity, concentration or physical, chemical or infectious characteristics may cause or significantly contribute to an increase in illness or pose a potential hazard to human health or the environment when improperly treated, stored, transported, disposed of or otherwise managed. This does not include routine treatment, care or disposal of hazardous waste resulting from day-to-day operations such as developing fluid for x-ray equipment.

B. BOC 3255 - Hazardous Waste Cleanup, Buildings and Other Structures. This BOC includes cleanup costs of removing, containing and/or disposing of hazardous waste from buildings and other structures or material and/or property that contains sufficient quantities of hazardous waste to be deemed hazardous at permanent or temporary closure or shutdown of PP&E (e.g., both the asbestos and the rubble containing asbestos generated from the asbestos removal). This does not include day-to-day treatment, care and/or disposal of hazardous waste used for day-to-day operations such as developing fluid for X-ray equipment.