



# **Army Environmental Liability Recognition, Valuation, and Reporting**

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# Report Documentation Page

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# Agenda

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- Why – Statutorily Required
- What – Environmental Liabilities Universe
- Where – Balance Sheet Note 14
- When – Quarterly Reporting
- Who – Many players w/Different Backgrounds
- Challenges



# Why – Statutorily Required

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- ❑ Chief Financial Officer's (CFO) Act of 1990
  - Required Federal Agencies to prepare auditable financial statements.
- ❑ The Government Performance and Results Act (GPRA) of 1993
  - Required agencies to report on plans and performance systematically.
- ❑ The Government Management Reform Act (GMRA) of 1994
  - Applied the CFO Act to all DoD components.



## Why – Statutorily Required (con't)

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- ❑ The Federal Financial Management Improvement Act (FFMIA) of 1996 and the Clinger-Cohen Act (CCA) of 1996
  - Agencies must install integrated IT systems capable of producing auditable financial statements.
- ❑ Not statute, but DoD published Environmental Liabilities Recognition, Valuation, and Reporting Requirements Document
  - July 2006



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# Goal: Unqualified Audit Opinion on Financial Statements

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- ❑ Legislation requires DoD and Service components to:
  - Have auditable financial statements
    - Balance Sheet shows assets and liabilities
- ❑ DoD can not obtain a clean audit opinion without eliminating the Environmental Liabilities material weakness
  - Need auditable Balance Sheet (Note 14)
- ❑ Environmental Liability is the largest liability in the Army (DoD: \$66.2B; Army: \$37.4B)
  - Second largest in DoD behind Military Retirement and Other Federal Employment Benefits



# What Creates an Environmental Liability

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## Definition - DoD FMR 7000.14, Vol.4, Ch. 13:

- ❑ A probable and measurable future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events.



# What Creates an Environmental Liability

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- ❑ Accounting Standards use the terms “cleanup” and “hazardous waste” more broadly than the environmental community:
  - Environmental cleanup costs from the accounting perspective include:
    - Traditional CERCLA and RCRA Cleanup/Corrective Action (DERP and non-DERP)
    - Closures / Post-Closure per regulatory permits
    - Other future costs at disposal driven by federal, state, or local regulations
    - Asbestos (friable and non-friable) costs incurred at closure/disposal





# What Governs EL Reporting

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**A wide array of policy and guidance governs EL recognition, valuation, and reporting**

- ❑ Federal Accounting Standards Advisory Board (FASAB) Standards and Bulletins
- ❑ DoD's Financial Management Regulation (FMR)
- ❑ DoD's *Environmental Liabilities Recognition, Valuation, and Reporting Requirements* document
- ❑ Environmental Program Guidance within USD(AT&L)
  - DERP Management Guidance
  - Non-DERP EL Guidance
  - Interim Guidance Updates
- ❑ OUSD(C) EL Best Practices Guide
- ❑ Component-specific Guidance
  - Army Implementing Guidance



# What's Context of Environmental Liability

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- ❑ Environmental *cleanup* liability
  - DERP
  - Compliance-related Cleanup
- ❑ Environmental *closure* liability
  - Non-DERP closure
    - Real property
- ❑ Environmental *disposal* liability
  - Weapon systems
  - Military Equipment and other PP&E

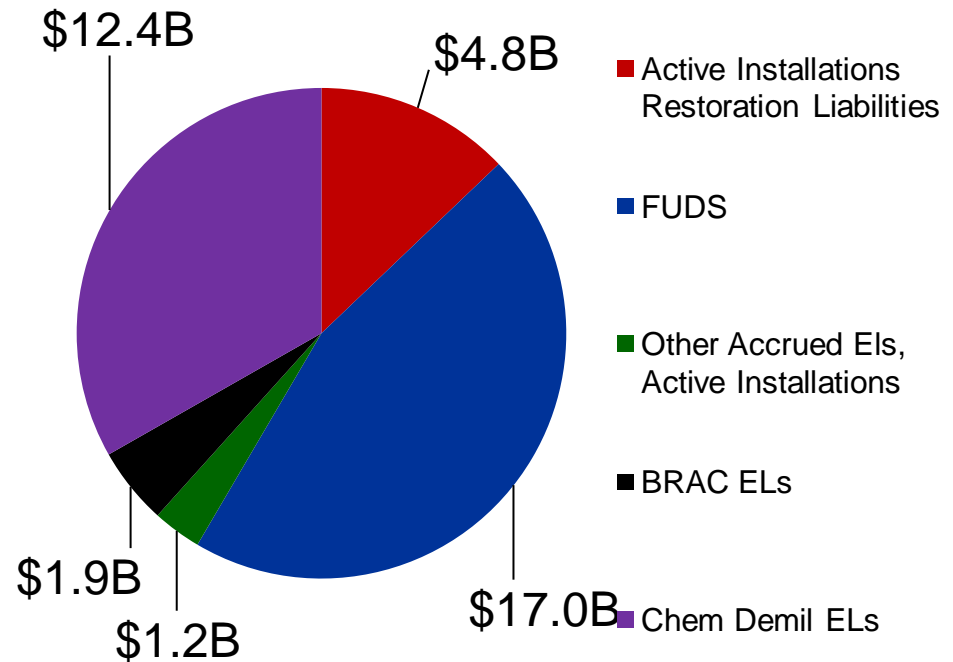


# What the Scope of Army's ELs Are

What are the EL Categories on Army's Note 14?

Army's FY09 ELs: \$37.4B

- Environmental Restoration (legacy waste)
  - Active installations
  - BRAC installations
  - FUDS properties
- Other Accrued EL at Active and BRAC installations
  - Corrective Action
  - Closure
  - Response at Operational Ranges
- Chemical Demilitarization
- Military and General Equipment (not yet reported)





# Environmental Liabilities Organizations

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**Depends on organizational hierarchy:**

- A. Federal Accounting Standards Board (FASB)
- B. Federal Accounting Standards Advisory Board (FASAB)
- C. 24 Federal Agencies Including DoD
- D. DoD Comptroller
- E. DUSD(I&E)
- F. ADUSD(I&E)/EM
- G. ASA(FM&C)
- H. ACSIM(ISE & OD) & Others (G-4, ASA(ALT), AMC etc.)
- I. USAEC, USACE, IMCOM
- J. Installations



# What the Army's EL Scope Entails

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- ❑ Cleanup: ~ 5,000 sites remaining
- ❑ Environmental closure: estimate ~90,980 owned buildings (environmental sites)
- ❑ Military and General Equipment disposal: unknown



# Where You Report Environmental Liabilities

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## Note 14 of the Balance Sheet

- ❑ Financial Statement
  - Balance Sheet
    - Note 14
  - Statement of Net Cost
  - Statement of Changes in Net Position
  - Statement of Budgetary Resources



# FY 2009 Annual Financial Statement

Department of Defense - Department of the Army

## CONSOLIDATED BALANCE SHEET

As of September 30, 2009 and 2008 (Amounts in thousands)

|   | 2009 Consolidated     | Restated<br>2006 Consolidated |
|---|-----------------------|-------------------------------|
| <b>ASSETS (Note 2)</b>  |                       |                               |
| Intragovernmental:  |                       |                               |
| Fund Balance with Treasury (Note 3)                                 | \$ 163,425,416        | \$ 163,322,471                |
| Investments (Note 4)  | 3,241                 | 3,532                         |
| Accounts Receivable (Note 5)  | 530,847               | 499,668                       |
| Other Assets (Note 6)   | 1,401,723             | 430,932                       |
| Total Intragovernmental Assets                                      | \$ 165,361,227        | \$ 164,256,603                |
| Cash and Other Monetary Assets (Note 7)                             | 1,965,004             | 2,418,049                     |
| Accounts Receivable, Net (Note 5)                                   | 635,509               | 619,471                       |
| Loans Receivable (Note 8)   | 93                    | 0                             |
| Inventory and Related Property, Net (Note 9)                        | 34,497,598            | 40,134,982                    |
| General Property, Plant and Equipment, Net (Note 10)                | 128,946,696           | 111,906,995                   |
| Other Assets (Note 6)   | 7,439,337             | 6,495,961                     |
| <b>TOTAL ASSETS</b>   | <b>\$ 338,845,464</b> | <b>\$ 325,834,061</b>         |
| <b>LIABILITIES (Note 11)</b>  |                       |                               |
| Intragovernmental:  |                       |                               |
| Accounts Payable (Note 12)  | \$ 1,717,109          | \$ 1,563,994                  |
| Debt (Note 13)  | 1,060                 | 633                           |
| Other Liabilities (Note 15 & 16)                                    | 2,968,874             | 3,647,103                     |
| Total Intragovernmental Liabilities                                 | \$ 4,707,043          | \$ 5,211,930                  |
| Accounts Payable (Note 12)  | 14,116,803            | 13,022,675                    |
| Military Retirement and Other Federal Employment Benefits (Note 17) | 1,325,170             | 1,472,383                     |
| Environmental and Disposal Liabilities (Note 14)                    | 37,374,583            | 42,475,466                    |
| Loan Guarantee Liability (Note 8)                                   | 2,436                 | 2,337                         |
| Other Liabilities (Note 15 and Note 16)                             | 12,550,320            | 12,240,852                    |
| <b>TOTAL LIABILITIES</b>  | <b>\$ 70,076,355</b>  | <b>\$ 74,425,643</b>          |
| <b>NET POSITION</b>   |                       |                               |
| Unexpended Appropriations - Other Funds                             | 150,540,142           | 152,794,482                   |
| Cumulative Results of Operations - Earmarked Funds                  | 57,671                | 52,946                        |
| Cumulative Results of Operations - Other Funds                      | 118,171,296           | 98,560,990                    |
| <b>TOTAL NET POSITION</b>   | <b>\$ 266,769,109</b> | <b>\$ 251,408,416</b>         |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                           | <b>\$ 338,845,464</b> | <b>\$ 325,834,061</b>         |

The accompanying notes are an integral part of these financial statements.



Fiscal Year 2009 United States Army Annual Financial Statement

The Noncommissioned Officer Corps:  
The Strength of America's Army

2009



# When You Report Environmental Liabilities

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## Quarterly:

- ❑ ASA(FM&C) issues quarterly call for information by about the end of the 2<sup>nd</sup> month of the quarter
- ❑ Information is due early in the month following close of the quarter
  - Timelines are tight for the end of September report so that OSD can consolidate and report for the Department





# Environmental Liabilities Universe

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## Note 14 Segmentation:

- A. Accrued Environmental Restoration Liabilities (Defense Environmental Restoration Program (DERP)) - Cleanup
  - 1. Active Installations – Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)
  - 2. Active Installations – Military Munitions Response Program (MMRP)
  - 3. Formerly Used Defense Sites (FUDS) – IRP and BD/DR
  - 4. Formerly Used Defense Sites – MMRP
- B. Other Accrued Environmental Liabilities – Non-BRAC
  - 1. Environmental Corrective Action
  - 2. Environmental Closure Requirements
  - 3. Environmental Response at Operational Ranges
  - 4. Asbestos
  - 5. Non-Military Equipment
  - 6. Other (for Army, Low Level Radioactive Waste Disposal)



# Environmental Liabilities Universe

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## Note 14 Segmentation (con't):

- C. Base Realignment and Closure Installations
  - 1. Installation Restoration Program
  - 2. Military Munitions Response Program
  - 3. Environmental Corrective Action/Closure Requirements
  - 4. Asbestos
  - 5. Non-Military Equipment
  - 6. Other
- D. Environmental Disposal for Military Equipment Weapons Programs
  - 1. Nuclear-Powered Military Equipment/Spent Nuclear Fuel
  - 2. Non-Nuclear Powered Military Equipment
  - 3. Other National Defense Weapons Systems
  - 4. Other
- E. Chemical Weapons Disposal Programs
  - 1. Chemical Demilitarization – Chemical Materials Agency (CMA)
  - 2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)
  - 3. Other



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# Who are EL Functional Leads?

| I&E Domain   | Other Domains  |
|--|--|
| <p><b>OACSIM</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> Cleanup<ul style="list-style-type: none"><li>– Active sites</li><li>– BRAC</li><li>– Formerly Used Defense Sites</li><li>– Compliance-related Cleanup</li></ul></li><li><input type="checkbox"/> Closure<ul style="list-style-type: none"><li>– Hazardous Waste Management</li><li>– BD/BR (asbestos, lead paint, explosives contaminated buildings)</li><li>– Underground Storage Tanks</li><li>– Solid Waste Management</li><li>– Fixed Equipment containing hazardous waste</li><li>– Excess Facilities</li></ul></li></ul> | <p><b>ASA(ALT)</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> Chemical Weapons Disposal</li><li><input type="checkbox"/> Military Equipment</li></ul> <p><b>AMC</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> Low Level Radioactive Waste Disposal</li></ul> <p><b>G-4</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> General Equipment</li></ul> <p><b>USACE</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> Dept of Energy FUSRAP (reported on Civil Works Fund financial statement)</li></ul> |



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# Environmental Liabilities Integration Across Domains

| <b>Domains</b><br>- <b>Functional</b> proponent                               | <b>Systems</b>  |
|---|---|
| I&E<br>- Real Property<br>- Environmental<br>- GIS                            | <input type="checkbox"/> IFS, HQIIS, PRIDE, RFMIS, REMIS GFEBs<br><input type="checkbox"/> AEDB (interim system), HQAES, FUDSMIS<br><input type="checkbox"/> MAPPER |
| Financial   | General Fund Enterprise Business System (GFEBs)/Standard Operation Maintenance Army Research and Development System (SOMARDS)                                       |
| Human Resources   | Army Training Requirements and Resources System (ATRRS)   |
| Acquisition and Logistics<br>- CMA and ACWA<br>- Military Equipment<br>- LLRW | No IT System<br>CAMS-ME<br>No IT System   |
| G-4<br>- General Equipment  |   |



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# ENVIRONMENTAL LIABILITIES

## Challenges

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- ❑ **Large Scope (Other accrued environmental liabilities)**
  - 100K + assets: buildings, structures, utilities
  - 25K+ tracts of land
  - General and Military Equipment – unknown number
- ❑ **Horizontal integration required**
  - Within OACSIM
  - Between OACSIM and other Army agencies/programs
- ❑ **Cross domain interdependencies**
  - I&E
  - Personnel
  - Financial
  - Logistics
- ❑ **Concurrent transformation**
  - Financial system
  - Environmental systems
  - Real Property systems



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# Questions