



# Accounting for Environmental Liabilities

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# Course Sections

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- Section 2: EM Environmental Liabilities
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  - Newly Generated Waste Guidance
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# Section 1 – General Background

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Federal Financial Reporting Requirements

DOE Consolidated Balance Sheets

DOE EL Audit History

Definition – Liability

Applicable FASAB Standards

DOE Environmental Liability Regulatory Environment

Accounting for Environmental Liabilities

FY2013 Environmental Liabilities

Environmental Liabilities from FY 09-13



# Federal Financial Reporting Requirements

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- Chief Financial Officer Act of 1990
- Government Management Reform Act (GMRA) of 1994
- The Accountability of Tax Dollars Act of 2002
- Federal Financial Management Improvement Act (FFMIA) of 1996

The FY13 AFR can be found at

<http://www.energy.gov/sites/prod/files/2013/12/f6/2013parAFR.pdf>

## Principal Statements

### U.S. Department of Energy Consolidated Balance Sheets

As of September 30, 2013, 2012, 2011, and 2010

(\$ in millions)	FY 2013	FY 2012	FY 2011	FY 2010	
<b>ASSETS:</b>					
Intra-governmental Assets	71,243	74,169	87,343	93,670	
Investments and Related Interest	173	181	181	195	
Accounts Receivable	3,809	3,870	3,893	4,018	
Direct Loans and Loan Guarantees	12,375	10,683	5,732	2,435	
Inventory	42,930	42,452	42,846	43,667	
General Property Plant and Equipment	33,345	32,779	30,740	29,687	
Regulatory Assets	11,921	12,453	7,406	4,605	
Other Non-Intragovernmental Assets	4,110	4,293	3,840	3,421	
<b>Total Assets</b>	<b>179,906</b>	<b>180,880</b>	<b>181,981</b>	<b>181,698</b>	
<b>LIABILITIES:</b>					
Intra-governmental Liabilities	27,800	26,538	20,986	16,265	
Accounts Payable	3,708	4,228	4,843	4,832	
Loan Guarantee Liability	183	157	86	4	
Debt Held by the Public	5,949	6,127	5,763	5,915	
Deferred Revenues and Other Credit	36,284	34,206	31,715	29,495	
<b>Environmental Cleanup and Disposal Liabilities</b>	<b>280,270</b>	<b>268,401</b>	<b>250,569</b>	<b>250,209</b>	(Note 15)
**Pension and Other Actuarial Liabilities	21,445	31,537	30,304	28,405	(Note 16)
Obligations Under Capital Leases	1,005	863	607	540	
Other Non-Intragovernmental Liabilities	6,389	6,723	7,373	4,406	
**Contingencies and Commitments	21,485	19,853	19,175	15,481	(Note 18)
<b>Total Liabilities</b>	<b>404,518</b>	<b>398,633</b>	<b>371,421</b>	<b>355,552</b>	
<b>NET POSITION:</b>					
Unexpended Appropriations	24,557	28,096	37,762	46,999	
Cumulative Results of Operations	(249,169)	(245,849)	(227,202)	(220,853)	
<b>Total Net Position</b>	<b>(224,612)</b>	<b>(217,753)</b>	<b>(189,440)</b>	<b>(173,854)</b>	
<b>Total Liabilities &amp; Net Position</b>	<b>179,906</b>	<b>180,880</b>	<b>181,981</b>	<b>181,698</b>	



# DOE EL Audit History

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- DOE's environmental liability (EL) has been estimated and audited for over 17 Years.
  - DOE has maintained an unqualified audit opinion since 2007; a material weakness in EL was reported that year.
  - No reportable conditions or significant deficiencies pertaining to EL were identified during the FY 2013 audit cycle.



## Definition - Liability

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A *Liability* is a probable future outflow or other sacrifice of resources as a result of past transactions or events.

- A liability must be probable and measurable:
  - Probable – More Likely Than Not
  - Measurable – Reasonably Estimable



# Applicable FASAB Standards

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- Accounting standards associated with recognizing and measuring liabilities in federal financial reports:
  - Statement of Federal Financial Accounting Standards (SFFAS) No. 5, “Accounting for Liabilities of the Federal Government”;
  - SFFAS No. 6, “Accounting for Property, Plant and Equipment”;
  - SFFAS No. 12, “Recognition of Contingent Liabilities Arising from Litigation” (amendment to SFFAS No. 5);
  - Federal Accounting Standards Advisory Board (FASAB) Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*;
  - FASAB Technical Bulletin 2009-1 deferred the implementation date of Technical Bulletin 2006-1.

These standards and bulletins can be found at

[http://www.fasab.gov/pdffiles/2013\\_fasab\\_handbook.pdf](http://www.fasab.gov/pdffiles/2013_fasab_handbook.pdf)





# DOE Environmental Liability Regulatory Environment

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- Multiple Regulatory Authorities: *(at a minimum)*
  - State environmental or ecology agencies; and
  - Environmental Protection Agency (EPA).
- Multiple Laws and Regulations: *(at a minimum)*
  - Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA);
  - Resource Conservation and Recovery Act (RCRA); and,
  - Hazardous and Solid Waste Amendments (HSWA) or State equivalent.  
[These laws can be found at <http://www.epa.gov/lawsregs/laws/index.html>](http://www.epa.gov/lawsregs/laws/index.html)
- Overlapping legally binding, and sometimes conflicting, clean-up agreements, consent decrees and orders, settlements, and/or compliance agreements.  
[These agreements can be found on the individual sites' public websites.](#)

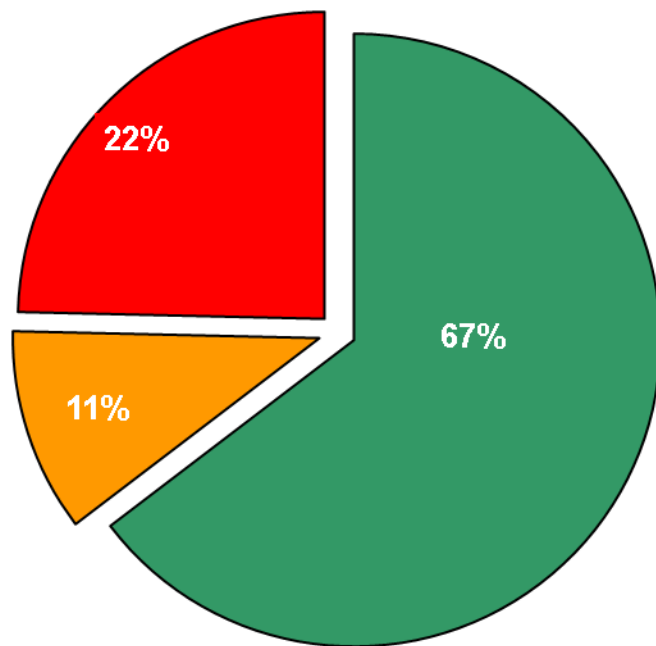


# Accounting for Environmental Liabilities

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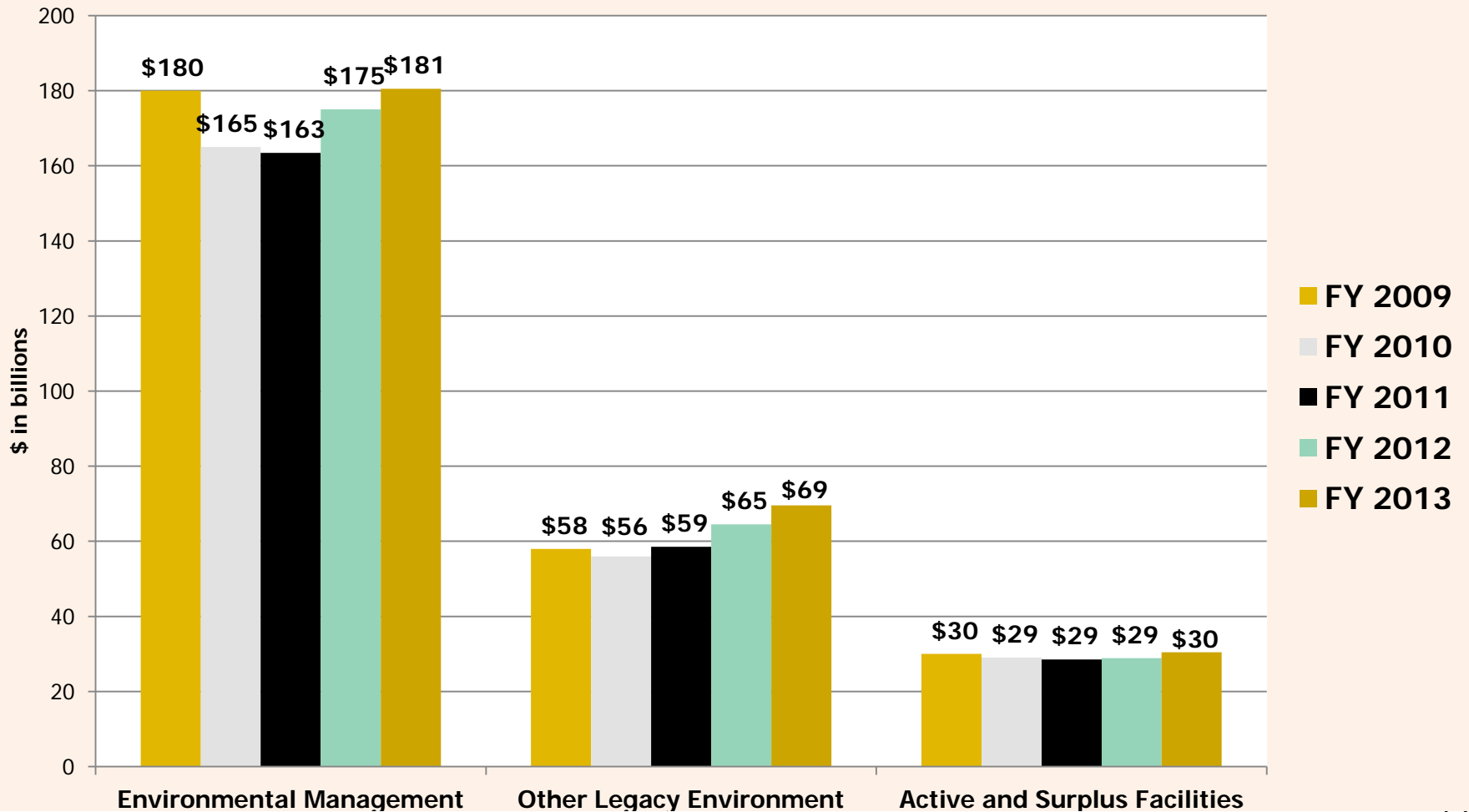
- The Department accounts for three components of environmental liabilities:
  - Office of Environmental Management (EM) environmental liabilities;
  - Active Facilities – captured in the Active Facilities Data Collection System (AFDCS) or outside estimates; and
  - Other Legacy Environmental Liabilities.

# FY 2013 Environmental Liabilities



- Office of Environmental Management - \$181B
- Active and Surplus Facilities - \$30B
- Other Legacy Environmental Liabilities (including High-Level Waste and Spent Nuclear Fuel) - \$70B

# Environmental Liabilities FY09 – FY13





# Section 2 – Office of Environmental Management

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EM EL Definition

Components of the EM Liability

Contingency

Factors Impacting Estimates

Exclude from EM Liability

Long-Term Stewardship – EM Program

EM Process/Schedule

Annual Audit Requirements



# EM Environmental Liability Definition

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- The EM EL is the estimated cost for DOE to meet its present environmental cleanup obligations, including all work required to complete cleanup of facilities; remediation of soil and groundwater; and management and disposition of wastes, SNF, and surplus nuclear materials managed by EM.



# Components of the EM Liability

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- EM portion of the EL is based on three components:
  - Approved baseline costs;
  - Pending baseline change proposals; and
  - Adjustments for probable costs and/or increases for EL purposes (placeholder estimates).
    - Adjustments account for new scope, cost growth, and/or changes in fundamental assumptions (such as changes in end state, regulatory approach, inability to consolidate/move materials, changes in anticipated cost efficiencies, etc.)



# Contingency

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- Contingency is added to each PBS to account for uncertainties
  - In FY11, EM implemented a risk-based contingency calculation methodology, which was continued in FY13.
  - The contingency represents the difference between the IPABS 50% life-cycle baseline and an approximate 80% confidence level life-cycle baseline.





# Factors Impacting Estimates

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- Estimates are updated based on the most current available information, such as:
  - EM Environmental Liability SOPP;
  - External Independent Reviews;
  - Feasibility Studies;
  - Records of Decision;
  - Risk Assessments;
  - Infrastructure Plans/Site/Laboratory Plans;
  - Project Execution Plans;
  - Reports from entities outside of DOE (National Academy of Sciences, Defense Nuclear Facilities Safety Board, Secretary of Energy Advisory Board, etc.);
  - Independent Cost Estimates;
  - Baseline Validation Process;
  - Headquarters guidance/planning documents/decisions; etc.



# Exclude from EM Liability

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- Pension/PRBs costs that are included in the EM baseline to avoid duplication;
- Estimates reported in other areas of the liability (i.e. AF, REL, etc.);
- Long-Term Stewardship under the purview of the Office of Legacy Management; and
- Environmental, Safety & Health (ES&H) liability, which is reported on Footnote 14 “Other Liabilities” in the financial statements.



# Long-Term Stewardship -EM Program

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- EM prepares a placeholder estimate for LTS costs at sites where EM has an active cleanup mission.
  - The LTS estimate is reported as an REL liability, not an EM liability.
- After EM work is complete, the responsibility for performing LTS activities transfers to the Office of Legacy Management (LM) (or other Program Secretarial Offices) and this entity is then responsible for recording the LTS liability from the expected transition date forward.
- LTS estimates must be updated annually and include liability covering a minimum of 75 years (unless a longer period is stipulated in agreements with the States, etc.).
- While the uncertainty model in IPABS, which calculates contingency based on project definition, innovation, and complexity of the project is not the primary method for calculating contingency for EM projects, it will continue to be used for some liabilities, such as LTS.



# EM Process/Schedule

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Schedule for reporting Environmental Liabilities:

- February EM HQ issues Budget/IPABS-IS guidance;
- April Sites update EL in IPABS-IS Environmental Liability Module;
- May EM HQ evaluates submittals for consistency between sites and other Program Offices;
- June\*\* EM HQ submits draft EL estimate to OFA;
- June OIG/audit team begins field audits;



# EM Process/Schedule (cont.)

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- August Sites submit signed GEN-2 reports;
- Sept EM HQ/Sites provide supplemental support to resolve audit issues/questions; OIG/audit team completes field audits;
- Sept\*\* EM HQ submits final EL Estimate to OFA;
- Oct/Nov EM HQ/Sites report subsequent events and record final adjustments, audit closeout; and
- Dec EM HQ/Sites respond to findings/issues and revise procedures and processes accordingly.



# Annual Audit Requirements

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- Auditors conduct site visits and review environmental liability estimates at the following sites:
  - Idaho, Richland, Office of River Protection, Oak Ridge, Savannah River, PPPO.
  - Surprise sites are also chosen annually.
- Extensive review is conducted for all sites not visited via a questionnaire, conference calls, documentation requests, etc.

# Section 3 – Active Facilities Environmental Liabilities



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Active Facilities Definition

AFDCS Sites

Factors Impacting Estimates

AFDCS Data Inputs

New Features in FY 2014

Other Structures and Facilities

Site-Specific Estimates

AFDCS FY 2014 Schedule



# Active Facilities Definition

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- The active facilities EL represents the anticipated remediation costs:
  - for contaminated facilities still in active use by active programs (active facilities); and
  - for retired contaminated facilities awaiting transfer to EM (surplus facilities).





# AFDCS Sites

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- AFDCS includes over 12,000 facilities across over 30 sites:

1. AL Complex
2. Albany Research Center
3. Amador Valley
4. Ames Lab
5. Argonne Nat Lab-Site D
6. Brookhaven Nat Lab
7. Darwin Mine Seismic
8. Fermi Natl Accelerator
9. Kansas City Plant Station
10. Kirtland
11. Las Vegas
12. Lawrence Berkeley Lab
13. Lawrence Livermore Lab
14. Lawrence Livermore Nat Lab
15. Livermore Operations Site 300
16. Los Alamos
17. Los Alamos Nat Lab
18. Morgantown Office
19. Mt. Brock
20. Nelson Seismic Station
21. Nevada Nat Security Site
22. Notre Dame Radiation Lab
23. ORISE
24. Oak Ridge Nat Lab (X-10)
25. Office of Secure
26. Pantex Plant
27. Pittsburgh Office
28. PPPL- Forrestal Research
29. Remote Sensing Lab-Nellis
30. Santa Barbara Ctr
31. Savannah River Site
32. SLAC Nat Accelerator Lab
33. SNL-California
34. SNL-Hawaii
35. SNL-Nevada
36. SNL-New Mexico
37. Thomas Jefferson Nat Lab
38. Y-12 Nat Security Complex



# Factors Impacting the Estimates

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- Current year constant dollar value by:
  - Escalating the prior year constant dollar amount by the inflation factor provided by OFA in the annual EL guidance memo; or
  - Escalating the prior year constant dollar amount by the site-specific inflation factor; or
  - De-escalating current dollar amounts back to present year constant dollar amount (*de-escalation is calculated by the responsible program/project personnel*).
- The transfer of cleanup and management responsibilities for active facilities to EM from other programs;
- Changes in facility size or contamination assessments; and/or
- Estimated cleanup costs for newly contaminated facilities or newly cleaned up facilities;



# AFDCS Data Inputs

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- Site Data Contacts (SDCs) enter/edit the following data inputs per facility:
  - Gross square footage
  - Footprint
  - Model code
  - Asbestos information for a subset of facilities that do not contain any other type of contamination.
- Cognizant Federal Managers review and approve the data after SDC updates.



## New Features in FY 2014

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- FIMS Override Request
- Batch Upload Request
- Facility Lock/Unlock (once AFDCS data input period has expired – mid April)



# Other Structures and Facilities

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- “Other Structures and Facilities (OSFs)” are structures, trailers, etc. in AFDCS that are not buildings.
- Beginning in FY13, sites are no longer required to update their AFDCS data for OSFs.
  - 10% of the total AFDCS liability for each site, as well as 10% of the AFDCS asbestos liability, must be recorded on each site’s Note 3 to account for the OSF liability.



# Site-Specific Estimates

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- In instances where the field sites have EL estimates for individual active facilities, the sites must:
  - Submit the estimate(s) to OFA;
  - OFA reviews the estimate(s) to determine the validity and reasonableness of the estimate.
    - If the estimate appears reliable, the facilities in question are excluded in AFDCS; and
    - The site records the detailed estimates for these facilities in STARS and includes the detailed estimates on the site's Note 3 as an "adjustment outside of AFDCS".
- Contact Stacy Gerau (301-903-0149) when more detailed cost estimates are available.



# AFDCS FY 2014 Schedule

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- Field activities:
  - AFDCS opened for data input – February 5<sup>th</sup>
  - Deadline for SDCs to submit data – April 12<sup>th</sup>
  - Deadline for CFMs to approve data – April 26<sup>th</sup>
  
- OFA activities:
  - OFA performs various reviews of the AFDCS data and makes necessary adjustments based on field input – April to July
  - OFA provides the AFDCS database to the auditors – July
  - OFA inquires about significant changes to the AFDCS facilities since the 3<sup>rd</sup> quarter reporting from the field sites, including audit finding errors that must be reflected in the 4<sup>th</sup> quarter liability reporting.



# Section 4 – Other Legacy Environmental Liabilities

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REL Definition

Defense HLW and SNF Liability

Surplus Plutonium

Highly Enriched Uranium





# Restructured Environmental Liabilities (REL) Definition

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- REL are all of those active program liabilities outside of the EM program and active facilities liability estimates.
  - REL represents the “cats and dogs” of the EL.
- REL liabilities have become a significant focus of the environmental liability portion of the Department’s consolidated financial statements audit.



# Defense HLW and SNF Liability

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- The Nuclear Waste Policy Act of 1982 (NWPA) established the Department's responsibility to provide for permanent disposal of the nation's high-level waste (HLW) and Spent Nuclear Fuel (SNF).
- All owners and generators of this waste, including the Department, must pay their respective shares of the full cost of the disposition program.
- In FY 2013, the total HLW and SNF environmental liability totaled \$18.2 billion.



# Defense HLW and SNF Liability

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- The TSLCC Estimate of the Civilian Radioactive Waste Management Program:
  - Used to assess Nuclear Waste Fund fee adequacy;
  - Used to calculate the defense cost share of the repository;
  - The 2008 TSLCC was the **last** TSLCC completed until the Department establishes a path-forward regarding the existence of a future geologic repository to store HLW/SNF.

For further information, see: [Nuclear Waste Strategy Report](#)



# Surplus Plutonium Liability

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- In September 2000, the U.S. and Russia signed the Plutonium Management and Disposition Agreement, which committed each country to dispose of 34 metric tons of surplus weapon-grade plutonium.
- To dispose of weapons-grade plutonium, both the U.S. and Russia must convert the plutonium into fuel to be used in nuclear reactors (once irradiated, the plutonium is no longer readily usable for nuclear weapons).
- The Department is currently re-evaluating a path-forward for the MOX Project.

For further information, please visit:

[Surplus Plutonium Disposition Options, April 2014](#)



# Surplus Plutonium Liability

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- The MOX liability includes:
  - Design;
  - Construction;
  - Operation;
  - Facilities Decontamination and Decommissioning (D&D); and
  - Disposition of all wastes projected to be generated during the project life-cycle.
- The liability is reduced by the projected revenues from MOX fuel sales and current year costs.
- In FY 2013, the total Surplus Plutonium environmental liability was \$26.2 billion.



# Highly Enriched Uranium Liability

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- The uranium market has historically resulted in the Department's revenues from down-blended HEU exceeding the project costs.
  - No liability is currently recorded.
- The Department obtains uranium market data at 3<sup>rd</sup> and 4<sup>th</sup> quarter to determine if an HEU liability needs to be included in the Department's financial statements.



# Section 5 – Accounting for Environmental Liabilities

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Note 3

Sample: Note 3

Note 3 Process - OFA

Field Sites Process

Documents Checklist

Forecasting



## Note 3

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- Consolidated report of environmental liability balances from IPABS, AFDCS, and adjustments for each Site
- Supports the environmental liability entries made in STARS by the Sites.
- Excel spreadsheet containing a separate tab for the following liabilities:
  - EM
  - AF
  - REL
  - If applicable: HLW and Surplus Plutonium



# Sample: Note 3

Site 123	EMF 3rd Qtr	Comments	REL 3rd Qtr	Comments	AF 3rd Qtr	Comments
FY2010 IPABS						
Adjustments to IPABS Estimates (list increases/decreases individually)						
Adjustments to the liability for previous years actual costs versus workscope completed in IPABS: Is an adjustment for workscope necessary? If so, has the adjustment been made in IPABS or does it need to be included on the Note 3?						
Duplicative Costs Reported Elsewhere (PRB)						
Costs (year to date)						
Other Adjustments--Please describe						
<b>3rd Quarter EM Balance</b>						
Long-Term Stewardship - IPABS						
Adjustment to IPABS LTS						
Other Liabilities outside of the EM scope and the AFDCS modeled estimate for facilities and other structures:						
-excess materials disposition						
- contaminated soils and groundwater						
-other (explain in comments section)						
<b>3rd Quarter REL Balance</b>						
AFDCS 3rd Quarter Estimate						
AF Estimates Outside of the Estimate						
<b>Active Facilities 3rd Quarter Balance</b>						

EXAMPLE - Site Specific Spreadsheets Will Be Provided



# Note 3 Process - OFA

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- Receives the IPABS data from EM and runs the AFDCS cost models to populate the beginning balances on the Note 3 for each Field Site.
- \* IPABS and AFDCS provides the beginning balances on the Note 3s only. Sites must adjust their estimates accordingly to arrive at their environmental liability ending balance.



# Note 3 Process - OFA

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- Performs numerous reviews of the IPABS, AFDCS, and Note 3s.
  - Completes flux analysis on IPABS, AFDCS, and Note 3s balances;
  - Ensures all amounts are in CY constant dollars;
  - Ascertains that REL is reflected 75 years (or more where applicable);
  - Ensures EM and Field Site activities are not duplicated or omitted;
  - Reviews significant adjustments outside of IPABs; and
  - Makes sure all known EL issues are reflected on the Note.



# Note 3 Process - OFA

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- Completes a Note 3 for Allottee 99, which includes the liability for EM Headquarters PBSs, Legacy Management LTS, Greater Than Class-C, and Casper.
- Prepares the Note 3 Reconciliation, which is a crosswalk of each Site's Note 3 balances to that of STARS, which ultimately supports the environmental liability balance in the Department's financial statements.



# Field Sites Process

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- Field sites should take all available current information into account when formulating/modifying EL estimates.
- Continuing in FY14, field sites are required to complete:
  - The “EL Checklist” to ensure that all applicable standards/information is being considered during EL formulation;
  - The “EL forecast” to ensure that all potential impacts to the EL are being considered.

# Documents Checklist

## Attachment

(To be completed and submitted to OFCO as part of the Financial Statement package)

Did the site consider the situations/values included in the following planning documents when updating the environmental liability estimates:

Document(s)	Yes	No	N/A	Comments
Stipulated Guidance (check "Yes"/"No" for each of the following):				
• SFFAS 1, <i>Accounting for Selected Assets and Liabilities</i> ;				
• SFFAS 5, <i>Accounting for Liabilities of The Federal Government</i> ;				
• SFFAS 6, <i>Accounting for Property, Plant, and Equipment</i> ;				
• Technical Bulletin 2006-1, <i>Recognition and Measurement of Asbestos-Related Cleanup Costs</i> ;				
• Other applicable GAAP documents.				
Stipulated DOE Guidance (check "Yes"/"No"/"N/A" for each of the following):				
• CFO guidance;				
• EM guidance;				
• NNSA guidance;				
• SC guidance;				
• NE guidance.				
Draft CFO Environmental Liability Best Practices Guide				
Records of Decision (preliminary or final)				
Regulatory negotiations/re negotiations				
Permit modifications and/or issuance				
Feasibility Studies (or any equivalent-type study)				
Risk Assessments				
Infrastructure Plans (or equivalent)				
Site/Laboratory Plans (or equivalent)				

Project Execution Plans (or equivalent)				
Reports from entities outside of DOE (NAS; DNFSB; SEAB; etc.)				
Independent Cost Estimates				
External Independent Reviews				
EM Environmental Liability Standard Operating Policies and Procedures (SOPP #35)				
Rebaselining Activities (preliminary or approved)				
Major contracting/acquisition activities				
IPABS Change Requests (check "Yes"/"No"/"N/A" for each of the following):				
• Preliminary (too early for approval);				
• Pending;				
• Unapproved;				
• Sent back to the field site for revision;				
• Other, please explain.				
IPABS EM EL Module adjustments				
Adjustments to the liability for previous years actual costs versus workscope completed in IPABS:				
• Is an adjustment for workscope necessary?				
• If so, has the adjustment been made in IPABS or does it need to be included on the Note 3?				
Other documents considered (not listed above):				
1. _____				
2. _____				
3. _____				

Please note that this list is not all-inclusive of the documents that should be included in the estimate updating process. Add all other documents considered need to be added to the list above and explained. All "N/A" responses must be explained in the "Comments" column.

Moreover, in instances where formal decisions have not been made by high-level management but a more than likely situation exists, or a cost estimate is not fully complete, a placeholder should be included in the estimate to account for such situations based on the best available information at that point in time. Once the formal decision is made, the cost estimate complete, etc. the placeholder would be replaced with a more definitive value. *These situations should be discussed with CF-12 to determine an appropriate course of action.*



# Forecasting

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- Field offices are required to forecast activities that could potentially impact the environmental liability. These activities include but are not limited to:
  - Rebaselining activities;
  - Feasibility Studies;
  - Records of Decision;
  - Regulatory negotiations/re negotiations;
  - Permit modifications and/or issuance; and,
  - Major contracting/acquisition activities.
- The forecasting should briefly summarize the activity, project(s)/estimate(s) potentially impacted, estimate of impact if available, and anticipated activity date.



# Forecasting

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- The 3<sup>rd</sup> quarter reporting forecast is to include 4<sup>th</sup> quarter FY14 and 1<sup>st</sup> quarter FY15. The yearend reporting forecast is to include 1<sup>st</sup> and 2<sup>nd</sup> quarter FY15.
- The FY14 reporting continues to require utilization of an environmental liability calendar in iPortal. Field CFO staff are to populate the calendar with all activities or events that could potentially impact liability estimates. Additions and updates should be made as identified.





# Section 6 – Focus Areas for FY 2014

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New Treasury Requirements – Accelerated Reporting  
Flux Analysis

Omission & Double Counting of EL

Constant & Current Year Dollars, Inflation Adjustments



# New Treasury Requirements – Accelerated Reporting

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- Requires proprietary data to be reported at the same expedited schedule that has been followed for budgetary reporting.
- The timing of IPABS report to OFA has been moved up to the first week of June and September, for 3<sup>rd</sup> and 4<sup>th</sup> quarter reporting. The only Note 3 adjustments that will be made during the first week in July/October will be for actual costs.
- Cut-off for month-end journal entries posted through the Posting-PriorGLMonth mailbox will be accelerated.



# New Treasury Requirements – Journal Entries Cut-off Dates

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Journal entries submitted to the

**Posting-PriorGLMonth** mailbox must be submitted by:

- May 7 - - (APR-14)
- June 6 - - (MAY-14)
- July 7 - - (JUN-14)
- August 7 - - (JUL-14)
- September 5 - - (AUG-14)
- October 7 - - (SEP-14) \*tentative date

\* PMA entries are due one day later (6<sup>th</sup> workday).

FY 2014 GTAS Reporting Window Schedule				
Budgetary and Proprietary Reporting				
Period End	Period	Reporting Window	Period End	Period
November 30, 2013	November	November budgetary reporting for Fiscal Year 2014 will not be required		
December 31, 2013	1st Quarter (Oct-Dec)	Tuesday, January 7, 2014, 8 a.m. EST Thursday, January 16, 2014, 2 p.m. EST	December 31, 2013	1st Quarter (Oct-Dec)
January 31, 2014	January	Thursday, February 6, 2014, 8 a.m. EST Tuesday, February 18, 2014, 2 p.m. EST		
February 28, 2014	February	Thursday, March 6, 2014, 8 a.m. EST Monday, March 17, 2014, 2 p.m. EST		
March 31, 2014	2nd Quarter (Jan-Mar)	Friday, April 4, 2014, 8 a.m. EST Thursday, April 17, 2014, 2 p.m. EST	March 31, 2014	2nd Quarter (Jan-Mar)
April 30, 2014	April	Tuesday, May 6, 2014, 8 a.m. EST Friday, May 16, 2014, 2 p.m. EST		
May 31, 2014	May	Thursday, June 5, 2014, 8 a.m. EST Tuesday, June 17, 2014, 2 p.m. EST		
June 30, 2014	3rd Quarter (Apr-June)	Monday, July 7, 2014, 8 a.m. EST Thursday, July 17, 2014, 5 p.m. EST	June 30, 2014	3rd Quarter (Apr-June)
July 31, 2014	July	Wednesday, August 6, 2014, 8 a.m. EST Monday, August 18, 2014, 5 p.m. EST		
August 31, 2014	August	Friday, September 5, 2014, 8 a.m. EST Wednesday, September 17, 2014, 5 p.m. EST		
September 30, 2014	4th Quarter (July-Sept)	Monday, October 6, 2014, 8 a.m. EST Monday, October 20, 2014, TBD EST <i>*The window will close for 2 hours starting at (time TBD) to allow OMB to pull their data.</i> Monday, October 20, 2014, TBD EST Saturday, November 15, 2014, 2 p.m. EST	September 30, 2014	4th Quarter (July-Sept)



# Flux Analysis

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- Evaluation of balances from one period to another (i.e. current versus prior year).
- Often performed as part of a risk identification and mitigation process.
- Acceptable level of tolerance (i.e. 10% change) is established.



# Omission & Double Counting of EL

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- Ensure procedures are implemented to verify the timing of transfers of EL work scope (i.e. remediation responsibilities and LTS) from one program office to another.



# Constant Year Dollars

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- **Constant Dollars = Unescalated or De-escalated Dollars**  
The Department's Financial Statements are presented in constant dollars. The use of constant dollars allows comparability without the effect of future inflation. Thus if the constant dollar estimate from this year is greater than or less than that of a previous year, it indicates that the estimate has had "real" growth or decrease.



# Current Year Dollars

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- Current Dollars *normally* = Escalated Dollars
  - Most liability estimates cover multiple years and projects are generally managed using escalated dollars which include cost of money over time. Due to the variability in calculations of the time and cost of money that can be used in an estimate, project/program personnel should always perform the de-escalation to constant dollars.
  - Depending upon the discipline of the person preparing or providing an estimate, you can receive a 'current' dollar estimate that is in fact a constant dollar estimate. This is because a FY13 estimate in current year (FY13) dollars is actually a FY13 constant dollar estimate. Also commonly used by project and some financial and budget personnel are the terms 'current year dollars' and 'current constant year dollars' which usually describe a constant dollar estimate.





# Inflation Adjustment

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- STARS Inflation Adjustment

Inflation = the increase resulting from converting last year's constant dollars to this year's constant dollars.

- Example: \$100 FY12 constant dollar estimate multiplied by the constant dollar inflation factor of 1.0172 results in a \$101.72 FY13 constant dollar estimate. The inflation adjustment to be recorded in STARS is \$1.72.
- There may be instances where a more specific calculation should be used due to unique calculations within an estimate. This is not usual and would be identified by the program/project person providing the estimate. Any of these estimates are to be discussed with OFA.



# Appendices

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- Appendix A: Additional Year-End Reporting and Related Liabilities
- Appendix B: EM SOPP
- Appendix C: Contingencies
- Appendix D: ES&H Liabilities
- Appendix E: Active Facilities Asbestos Estimation
- Appendix F: Newly Generated Waste Liability Guidance
- Appendix G: Spent Nuclear Fuel Litigation Liability
- Appendix H: Common Acronyms



# Appendix A: Additional Year-end Reporting and Related Liabilities

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Subsequent Events

Non-Monetary Loss Contingencies

Related Liabilities



# Subsequent Events

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Subsequent events include all events that impact the EL up until the date that the audit opinion is signed.

There are 2 types of subsequent events:

- Events that provide information related to conditions that did exist as of September 30<sup>th</sup> and affect the estimates in the financial statements. These events do require adjustments to the financial statements.
- Events that provide information related to conditions that did not exist as of September 30<sup>th</sup> . These events should not result in an adjustment to the financial statements but may require disclosure to keep the statements from being misleading.



# Non-Monetary Loss Contingencies

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Non-monetary loss contingencies result from instances in which the plaintiff(s) is seeking a programmatic change not a monetary claim. The cost of these programmatic changes can be significant.

- Formal Yearend Non-Monetary Loss Contingency Reporting.
- Any new information related to these contingencies must be considered and included in subsequent events reporting during the October through December reporting period.
- In FY12, the new reporting threshold increased to \$30M, as opposed to \$20M.



# Related Liabilities

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- Legal Contingencies;
- Pensions and PRBs;
- Energy Employees Occupational Illness Compensation Program Act (EEOICPA);
- Radiation Exposure Compensation Act (RECA); and
- Environment, Safety and Health.



# Appendix B: EM SOPP

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Overview

Objectives

Field Roles and Responsibilities

Key Guidance



# EM EL SOPP Overview

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- EM is required to annually update the EL estimate before it is recorded in the financial statements.
- The SOPP is applicable to all Federal and contractor personnel responsible for estimating and/or reporting the EM EL estimate.





# EM EL SOPP Overview

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- The SOPP is to be used for developing and reviewing EM EL estimate to:
  - Ensure that the approach used to formulate the estimate are consistent and properly documented;
  - Ensure that the estimate is accurate and complete; and
  - Ensure interfaces between sites and other programs are factored into the estimate.



# EM EL SOPP Objectives

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- The objectives of the EM EL SOPP are to:
  - Clarify the roles and responsibilities at EM HQ and the field sites for preparing and reporting the EM EL estimate;
  - Reduce errors and inconsistencies in the preparation of the estimate;
  - Improve the ability to reconcile and explain changes from the previous audit period;
  - Simplify reporting of information during the audit;
  - Improve documentation of assumptions, explanations to auditors, adjustments and subsequent events reported during the audit.



# EM EL SOPP Field Roles and Responsibilities

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- Each field site must designate a single POC for the EM EL estimate who will:
  - Serve as the field office liaison for information dissemination;
  - Coordinate site visits and conference calls requested by the auditors;
  - Obtain EM HQ approval to release any draft or preliminary documents requested by the auditors;
  - Ensure LTS start dates coincide with PBS end dates for completion of EM work at the site;



# EM EL SOPP Field Roles and Responsibilities

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- Verify that decontamination and decommissioning (D&D) costs are included only for facilities owned by EM;
  - D&D costs for active facilities are recorded by the PSOs as a non-EM EL (aka REL) liability; and
  - EM should not record a liability for D&D of non-EM facilities until these facilities are formally accepted into the EM program.
- Print the IPABS-IS GEN-2 reports for all PBSs for the site, obtain the appropriate signatures on each GEN-2 report, scan the signed reports and upload them to the IPABS-IS EL module; and
- Prepare responses to audit findings issued to the site.
  - These responses must be coordinated with the EM HQ Liaison (S. Gomberg) and the Office of Financial Control and Reporting (L. Jessup and S.Gerau).



# EM EL SOPP Key Guidance

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- Estimates are submitted into IPABS in current dollars;
  - IPABS de-escalates the estimates into constant dollars;
  - Field sites are responsible for ensuring that the correct escalation rates are reflected in IPABS along with the annual cost profile.
- If a range of estimates are available, and all points in that range are considered equally probable, then the lower end of the range should be recorded in the estimate;
  - If any point in the range is more probable than the other points in the range, the more probable point must be recorded in the estimate.



# EM EL SOPP Key Guidance

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- If new information becomes available, that materially affects the estimate, prior to issuance of the audit opinion (approximately the 2<sup>nd</sup> week in Nov.) the estimate should be adjusted if the change is considered probable;
  - If sufficient time is not available to fully review the updated cost information, a placeholder adjustment should be recorded;
  - All adjustments must include an explanation for the basis of the adjustment; and
  - A zero adjustment can be made in IPABS to document that the new information was considered as long as the reason for not making the adjustment is documented and justified.



# EM EL SOPP Key Guidance

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- EM portion of the EL estimate is based on four components:
  - Approved PBS lifecycle costs at the 50% confidence level (under configuration control), includes near-term baselines (NTB), out-year planning estimate ranges (OPER), and non-projects;
  - Pending change requests;
  - Adjustments – any increments not included in the two categories above, including:
    - New scope;
    - Cost growth;
    - Changing assumptions;
    - Performance; and
    - CFO adjustments.



# EM EL SOPP Key Guidance

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- Adjustments; (cont.)
  - May be submitted at any point during the reporting period, up until early November.
- Contingency – accounts for uncertainty in the estimate, including:
  - NTB and OPER; and
  - Non-projects.
  - Calculated using:
    - Uncertainty scores in IPABS (prior approach);
    - Risk-Based Methodology (current approach).





# EM EL SOPP Key Guidance

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- LTS:
  - Field offices must prepare a placeholder estimate for LTS costs at sites where EM has an active cleanup mission until EM work is complete and the LTS responsibility transitions to the PSO or LM;
  - Start date for LTS must begin the year after EM work is complete;
  - LTS should be estimated for 75 years from the current year unless otherwise stipulated in statutes, regulations, agreements, etc.;
  - LTS should be updated annually for changes to EM project schedules, changes to end-states that result in different monitoring and surveillance activities, etc.



# Appendix C: Contingencies

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- Contingencies

- Management Reserve (contractor)
- Funded and Unfunded Contingency (DOE)
- EM Program-Wide Contingency
  - Site and project specific risk based contingency calculations (*previously based on uncertainty scores at the PBS level*) were used beginning in FY11;
  - With the exception of capital projects, contingency calculated is for liability purposes only; and
  - Represents moving from ~50% confidence-level to ~80% confidence-level.
- EM and AFDCS Contingency Percentages are applied to:
  - Adjustments outside of IPABS;
  - Estimates outside of AFDCS; and
  - Non-EM estimates.



# Appendix D: ES&H Liabilities

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Definition

Guidance

Attestation



# ES&H Liability Definition

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- The Environment, Safety and Health (ES&H) liability represents costs to bring facilities and operations into compliance with existing:
  - ES&H laws;
  - Regulations; and
  - Applicable Department of Energy (Department) Orders.
- Sites that have been “grandfathered” in for certain regulations are considered to be in compliance with existing guidance.



# ES&H Liability Guidance

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- During the FY 2014 ES&H liability update, sites are required to use:
  - Most current ES&H Management Plan; and/or
  - Equivalent planning documents.
- Amounts reflected in the funded and unfunded compliance Activity Data Sheets (ADSs) should be summed for FY 2015 and beyond.



# ES&H Liability Guidance

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- The FY 2014 estimate should be aggregated using the following three compliance funding categories:
  - Funded operating expenses (OE) and capital equipment (CE) activities within your Target Level, summed for FY 2015 to the completion of the activity;
  - Funded general plant projects (GPP) and line-item construction projects (LIP) within your Target Level, summed for FY 2015 to the completion of the projects; and
  - Total estimated funding (OE, CE, GPP, and LIP) for all currently unfunded compliance activities to be funded in the future, summed for FY 2015 to the completion of the activity/project.



# ES&H Liability Guidance

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- ES&H liability estimates must include:
  - All ES&H compliance activities funded by all Cognizant Secretarial Offices, except EM.
    - The EM portion of the ES&H compliance liability will be reported under the environmental liability estimate and should not be duplicated as an ES&H liability.
- ES&H liability estimates must be updated for 3<sup>rd</sup> Qtr and 4<sup>th</sup> Qtr financial statements reporting.
  - Any potential material changes to the liability as a result of events (e.g., fire damages) occurring after the 3rd quarter submission (but before year-end) must be included in the year-end ES&H liability.



# ES&H Attestation

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Field and site office managers are required to sign an ES&H Attestation Statement that is ultimately rolled-up into the overall DOE Management Representation Letter.





# Appendix E:

# Active Facilities Asbestos Estimation

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AFDCS Guidance

Process Flow



# Active Facilities Asbestos Estimation AFDCS Guidance

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## ASBESTOS DATA COLLECTION

The Federal Accounting Standards Advisory Board has mandated that the Federal government comply with an accounting standard which requires the estimation of and inclusion of asbestos-related cleanup costs in agencies' financial statements. To meet the requirements of this rule, the Active Facilities Data Collection System (AFDCS) will collect asbestos data in addition to our current data collection effort. The data will be collected within the normal facility record update and submission in AFDCS.

In order to accurately capture the asbestos data and create the associated liability estimate, this year all sites are required to complete the previously existing field "Does the facility contain asbestos?" for all facilities that meet the following criteria:

- All "No Liability" facilities (that are not excluded from the estimate).
- All Facilities excluded as "Other" (exclusion code "6")

Note: Only indicate "yes" to asbestos if the facility contains asbestos and DOE has cleanup responsibilities for the facility.

Asbestos information will not be required for facilities excluded as land or trailer, or for facilities that are trailers or structures.

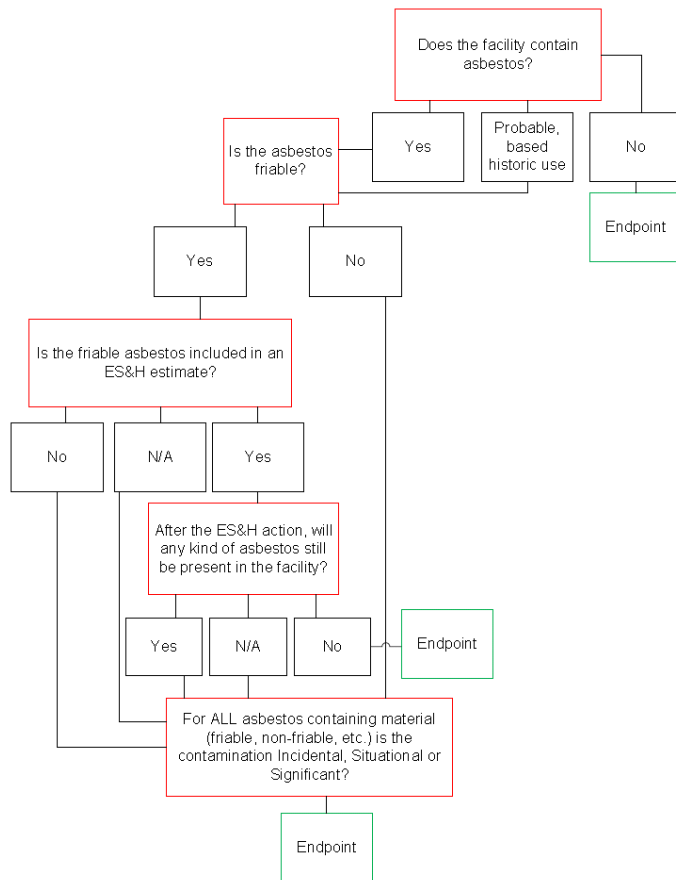
Prior to FY 2011, asbestos information was only required for those facilities that met the above criteria and were built or acquired before 1990. For FY 2011, this information will be required for all facilities that meet these criteria, regardless of the year built or acquired.

For FY 2011, additional information will be required for those facilities that have asbestos. Users will be required to answer the following questions for facilities that meet the criteria described above:

- Does the facility contain asbestos?
- Is the asbestos friable?
- If yes, is the friable asbestos included in the ES&H estimate?
- If yes, after the planned ES&H action, will there still be asbestos present in the facility?
- For all asbestos containing material (friable, non-friable, etc.), is the contamination Incidental, Situational, or Significant?

Note: Only indicate "yes" to asbestos if the facility structure itself contains asbestos. As with other types of contamination in AFDCS, information is not required on equipment or other removable facility components that may be contaminated with asbestos.

# Active Facilities Asbestos Estimation Process Flow



Based on the responses to each of these questions, the AFDCS cost model will calculate an estimate for asbestos liability at each facility. The process will follow this basic outline:

1. **Does the facility contain asbestos?** For every eligible facility, users must answer this question. Users can select 'yes', 'no', or 'probable based on historic use'. If a user selects 'no', then no further data is required and the process ends.
2. **Is the asbestos friable?** If the user selects 'yes' or 'probable based on historic data', then they must indicate whether the asbestos is friable.
3. **Is the friable asbestos included in the ES&H estimate?** This question is only asked of users who have indicated that the facility contains friable asbestos. If the friable asbestos has resulted in an out of compliance with applicable laws and regulations condition, the cost of actions to come into compliance is an ES&H liability that must be recorded.
4. **After the planned ES&H action, will any kind of asbestos still be present in the facility?** For facilities where ES&H action will remove all asbestos from the facility, we do not want to include this in the AFDCS liability estimate since the cleanup liability has already been accounted for in the ES&H estimate.
5. **For all asbestos containing material (non-friable, friable, etc.) is the contamination Incidental, Situational, or Significant?** Users must indicate which of these general categories best describes the extent of all asbestos contamination in the facility. *Incidental contamination* refers to small amounts of asbestos that were not related to particular missions or activities at the facility. *Situational contamination* also describes a relatively small amount of asbestos, but the contamination is related to specific mission activity. *Significant contamination* is present if removal or demolition would be a major concern for significant portions of the facility.

If the facility **does** have asbestos contamination, the site will also have to verify that the facility's active size and footprint are correct. Please note that all facilities with asbestos will need to have active size and footprint data entered into AFDCS prior to submission. If the facility **does not** contain asbestos, then the facility record is complete after the user selects "no" to the asbestos question.



# Appendix F: Newly Generated Waste Liability Guidance

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Determining whether an environmental liability for 'newly generated wastes' is required for non-EM funded work:

- Does the waste actually exist as of the financial reporting date? Waste projections should not be included unless the projected wastes result from clean-up activities.
- What type of wastes are these: routine industrial-type wastes or unique wastes requiring non-commercial disposal?
- For wastes needing non-commercial disposal such as TRU, HLW, mixed or classified it is unlikely that generation and final disposition will happen within a 12 month period. For these wastes, an environmental liability for the disposition of wastes held as of the end of the financial reporting period must be recorded.
- For wastes with commercial disposal paths, are the wastes periodically (quarterly, weekly, monthly) disposed of AND will the waste be disposed of within 12 months of being generated? If yes, no liability needs to be recorded. If no, an environmental liability must be recorded for the cost of disposition of the backlog of wastes existing at the end of the reporting period.



## Appendix G: SNF Litigation Liability

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- Per the NWPA, Department entered into contracts, which required it to begin disposal of Spent Nuclear Fuel (SNF) by January 31, 1998.
- Significant litigation claiming damages for partial breach of contract has ensued as a result of this delay.
- This document describes the process for the development of the estimated SNF Litigation liability, as well as the recording of payments by the Treasury Judgment Fund and increases or decrease to this liability in STARS. As of September 30, 2013, the Nuclear Waste Fund (NWF) and Department's estimated SNF Litigation liability was \$21.3 billion.



# Appendix H: Common Acronyms

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- HLW – High-level Waste
- SNF – Spent Nuclear Fuel
- NNSA – National Nuclear Security Administration
- WIPP – Waste Isolation Pilot Plant
- SRS – Savannah River Site
- NV – Nevada
- EM – Office of Environmental Management
- PRB – Post-Retirement Benefits
- SOPP – Standard Operating Processes and Procedures
- PBS – Project Baseline Summary
- EL – Environmental Liabilities
- IPABS – Integrated Planning, Accountability, and Budgeting
- HQ – Headquarters
- OFCR – Office of Financial Control and Reporting
- STARS – Standard Accounting and Reporting System
- LTS – Long-Term Stewardship
- LM – Office of Legacy Management
- D&D – Decontamination and Decommissioning
- LCC – Life-Cycle Costs
- AFDCS – Active Facilities Data Collection System
- PPC – Project Performance Corporation
- FIMS – Facility Information Management System
- NWPA – Nuclear Waste Policy Act
- TSLCC – Total System Life Cycle Cost
- Pu – Plutonium
- MOX – Mixed-Oxide Fuel Fabrication Facility
- HEU – Highly Enriched Uranium
- EPA – Environmental Protection Agency
- CERCLA – Comprehensive Environmental Response, Compensation, and Liability Act
- RCRA – Resource Conservation and Recovery Act
- HSWA – Hazardous and Solid Waste Amendments
- EEICPA – Energy Employees Occupational Illness Compensation Program Act
- RECA – Radiation Exposure Compensation Act