

DRAFT

**General Equipment Environmental & Disposal Liabilities (E&DL) Audit
Readiness Checklist**

For all procedures completed below, documentation should be retained that demonstrates the step was performed and include information such as: who created and who reviewed the documentation, when the documentation was created, and details around what was completed. Please note that POCs from several organizations likely play an important role in completing this checklist including, but not limited to: Acquisition, Logistics, Maintenance, Financial Management, Program Management, and Environmental.

General Equipment E&DL Audit Readiness Checklist (Page 1 of 4)

To support the auditability of General Equipment E&DL reported on Component Financial Statements, described in Note 14, General Equipment (GE) assets must be assessed in accordance with Generally Accepted Accounting Principles (GAAP) including Statement of Federal Financial Accounting Standards (SFFAS) 6: Accounting for Property, Plant, and Equipment; Federal Financial Accounting And Auditing Technical Release (TR) 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government; and TR 11: Implementation Guidance on Cleanup Costs Associated with Equipment to consider whether disposal actions involve 'non-routine at disposal' activities involving environmentally hazardous materials.

Procedures / Questions

Status

Establishing a Baseline

1. Identify and define GE asset categories as of 30 June Documentation Required: List of capital and non-capital assets included in Component inventories (e.g., GE assertion work products such as Quantitative Drill-Downs, Priotization Documents, etc.)	
2. Identify Accountable Property Systems of Record (APSRs) containing GE assets identified in step 1 Documentation Required: System Inventory Listing(s) aligned to GE asset categories	
3. Collect data elements relevant to completing step 4 below (e.g., model/type/series, location, capacity, size, use, etc.) Documentation Required: Transactional detail listing from all APSRs identified in step 2 (please note that in some instances, asset categories may need to be further segmented to accurately establish GE E&DL; for example, 'aircraft' might be one category with significant differences at the sub-category level)	
4. Determine if there is any hazardous waste associated with each GE category and whether or not that hazardous waste is disposed of routinely throughout the asset's useful life or non-routinely at disposal Documentation Required: See Appendix A	

If you determine upon completion of steps 1-4 that there are GE asset categories that do not require non-routine at disposal activities to remove hazardous waste, the 'probable' criteria outlined in TR2 has not been met and no recognition requirement exists for those GE asset categories. However, you are still required to complete and retain all analyses and documentation as outlined in steps 1-4 above to substantiate the conclusion that an E&DL is not probable for these GE asset categories.

For any GE asset categories identified in steps 1-4 which do require non-routine at disposal activities to remove hazardous waste, the 'probable' criteria in TR2 has been met and you should proceed to step 5 to determine the 'reasonably measurable' criteria outlined in TR2.

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<p>5. Determine if disposal process information is available (e.g., disposal plans pertinent to the asset category in question) Documentation Required: a) If no disposal process information is available, document the steps taken to arrive at this conclusion (e.g., what was considered, who was included in the discussion, determinations rendered, etc.) b) If disposal process information is available, maintain the documentation as support for estimated liability costs and retain details such as document / process owner, document location, update frequency, etc.</p>	
<p>6. If no disposal plan is available, determine if experience with a similar end item is available or if an alternative estimation methodology exists Documentation Required: a) If no experience with similar end items or alternative estimation methodologies exist, document the steps taken to arrive at this conclusion (e.g., what was considered, who was included in the discussion, determinations rendered, etc.) b) If experience with similar end items and/or estimation methodologies is available, maintain any available documentation outlining disposal activities and costs as support for estimated liability costs and retain details such as document / process owner, document location, update frequency, etc.</p>	
<p>7. If criteria from step 5 or 6 of this checklist is met, determine if disposal technology is available to estimate costs. Documentation Required: a) If no disposal technology exists, document the steps taken to arrive at this conclusion (e.g., what was considered, who was included in the discussion, determinations rendered, etc.) b) If disposal technology is available, maintain any available documentation outlining disposal activities and costs as support for estimated liability costs and retain details such as process owner, document location, update frequency, etc.</p>	
<p>8. If step 5 and 7 or step 6 and 7 are both met, recognize estimate for the environmental liability by considering both the count (# of GE asset category inventory items) and the established cost. If step 5 and 6 are not met, or if step 7 is not met, recognize the cost of the study or containment only. Documentation Required: Cost model or equivalent documentation that outlines the steps taken to calculate the environmental liability for any and all asset categories that meet criteria outlined in this checklist. Supporting documentation should be detailed enough that a third-party could re-perform the calculation to arrive at the same result.</p>	

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9. In accordance with roll-forward requirements outlined in the DoD Financial Management Regulation (FMR) Chapter 4, Volume 13, consider the following items between 30 June and 30 September of each fiscal year: (1) Determine if (a) any new asset categories have been established for your Component or (b) any new hazardous wastes have been defined by appropriate regulatory authorities; or (c) any new disposal plans or new disposal technologies have been developed. If either 1a, 1b, or 1c are met, perform or re-perform steps 1-8 as necessary.
Documentation Required: Description of the steps taken to perform the roll-forward procedures including what was performed, who performed the analysis, what sources were leveraged to perform the analysis, who reviewed the analysis and any other pertinent information.

10. When preparing year-end financial statement values for GE E&DL, use an asset inventory as of 30 September to calculate environmental liabilities based on the analyses performed in steps 1-9. The estimated environmental liability should be recognized over the estimated useful life of the related asset, therefore accreted over time. Please note that the accounting treatment for recognizing environmental liabilities associated with General Equipment should consider remaining estimated useful life. When establishing a baseline value, Components need to calculate "catch up" values, from the in-service date to the opening balance sheet date, for assets already placed in service.
Documentation Required: Asset inventory listing(s), including data source, query and down-selection criteria, data elements relevant to determining remaining estimated useful life (e.g., placed in service date, estimated useful life, etc.)

Steps 1-10 should be performed to initially establish a baseline methodology for calculating General Equipment E&DL. In subsequent years, Components will need to re-visit that baseline analysis to maintain currency over calculated values. However, go-forward sustainment will require a significantly lesser amount of effort to complete on an annual basis.

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Go-Forward Sustainment Approach

<p>11. On an annual basis, review the results of your baseline analysis as follows: (1) Determine if (a) any new asset categories have been established for your Component or (b) any new hazardous wastes have been defined by appropriate regulatory authorities and (2) Determine whether new disposal process information or disposal technology is available or whether existing disposal cost information used to estimate environmental liability exists. Documentation Required: Description of the steps taken to perform the annual update analysis including what was performed, who performed the analysis, what sources were leveraged to perform the analysis, who reviewed the analysis and any other pertinent information. If applicable, adjustments to pre-existing analyses and/or cost models should be supported by the documentation produced when completing this step each year.</p>	
<p>12. Using asset inventory information as of 30 September and cost updates (if any) resulting from step 9, calculate new environmental liability value and recognize the updated value. In addition, record the annual recognition of environmental expense which is recognized over the useful life of the GE asset as described in Step 10 above. Documentation Required: Asset inventory listing(s), including data source, query and down-selection criteria, data elements relevant to determining remaining estimated useful life (e.g., placed in service date, estimated useful life, etc.)</p>	