

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 4, CHAPTER 14
“ACCRUED DEFENSE ENVIRONMENTAL RESTORATION PROGRAM
LIABILITIES”**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure that includes the revision.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Chapter Title	Changes title to indicate this chapter deals with the Defense Environmental Restoration Program (DERP).	Clarify contents of chapter. Consistency with Office of the Deputy Under Secretary of Defense (Installations & Environment (ODUSD(I&E))) guidance.
140101	States chapter deals with the DERP.	Clarify contents of chapter. Consistency with ODUSD(I&E) guidance.
140102	States that costs involving closure of facilities and response actions for ranges are in Chapter 13 of this Volume.	Implement GAO-01-479 recommendation #5, GAO-02-117 recommendation #2 and IGDOD report D-2001-172 recommendation #2.
140103	Changes “cleanup” to “restoration” to clarify this chapter deals only with restoration.	Consistency with ODUSD(I&E) guidance.
140104	Clarifies guidance on when an environmental liability is recognized and requirements for supporting estimates.	Consistency with ODUSD(I&E) guidance.
140106	Changes “cleanup” to “restoration” to clarify this chapter deals only with restoration.	Consistency with ODUSD(I&E) guidance.
140108	Corrects reference to Section 0106 from Section 01016.	Correction.
140201	Deletes the word “cleanup.” Corrects reference to 140203 from 140204.	Consistency with ODUSD(I&E) guidance. Correction.”
140202	Corrects name of cited office. Deletes the word “cleanup” from 140202 and subparagraphs. Provides a source for obtaining the DERP Management Guidance.	Correction. Consistency with ODUSD(I&E) guidance.
140203	Deletes the word “cleanup.” Corrects reference to Section 1705 from Section 1706.	Consistency with ODUSD(I&E) guidance. Correction.
1403	Deletes the word “cleanup.”	Consistency with ODUSD(I&E) guidance.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
140301.E	Deletes the words “site closeout and.”	Consistency with ODUSD(I&E) guidance.

CHAPTER 14

★ACCRUED DEFENSE ENVIRONMENTAL RESTORATION PROGRAM
LIABILITIES1401 GENERAL

★ 140101. This chapter prescribes the accounting policy and principles for measuring (estimating) and recognizing (recording in the accounting system and reporting in the financial statements) Department of Defense (DoD) liabilities associated with the containment, treatment, or removal of contamination that could pose a threat to public health and the environment addressed by the Defense Environmental Restoration Program. Liability recognition shall not be based on the availability of funds. This chapter implements applicable provisions of Statements of Federal Financial Accounting Standards No. 5, “Accounting for Liabilities of the Federal Government,” and No. 6, “Accounting for Property, Plant and Equipment.”

★ 140102. This chapter does not address a number of other related issues. Accounting for disposal expenses (including hazardous waste removal and disposal), future closure of facilities on active installations, and response actions beyond normal preservation and maintenance of operational test and training ranges on active installations is discussed in Chapter 13 of this Volume. Reporting guidance on liabilities in general is contained in Chapter 4 of Volume 6B of this Regulation. Applicable budget formulation guidance is in Chapters 4, 9, and 13 of Volume 2B of this Regulation, including the development of stabilized prices for the Defense Working Capital Fund. This chapter does not apply to the costs of environmental compliance, pollution prevention, conservation activities, contaminations or spills, or treaty obligations, all of which are accounted for as part of ongoing operations.

★ 140103. Accrued environmental restoration costs of the DoD relate to General Property, Plant and Equipment (PP&E), including acquired land, and Stewardship Land, as those major asset categories are described in Chapter 6 of this Volume. Environmental restoration activities may be conducted at operating installations, base realignment and closure (BRAC) installations, or at formerly used defense sites (FUDS).

★ 140104. An environmental liability is incurred and shall be recorded if there is a requirement to remediate a site based on site level investigation and characterization of contamination that threatens human health or the environment. Environmental restoration cost measurements (estimates) may be prepared at the installation or other organizational level. Cost estimates prepared for this purpose shall include, on a current cost basis, the anticipated costs of the level of effort required to affect the restoration, as well as the costs of complying with associated applicable legal and/or regulatory requirements. Such cost estimates should be based on the current technology available. Cost estimates shall be revised when there is evidence that significant changes in the cost estimates have occurred (e.g., changes in scope, ownership, regulation, or technology), or as appropriate when preparing annual reports to Congress. As a minimum, long-term cost estimates shall be adjusted (upward or downward) annually, through indexing, to maintain them on a current cost basis (i.e., as if acquired in the current period). Any estimate produced must be based on site specific information, engineering estimates or cost models

validated in accordance with DoD Instruction 5000.61, “DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A).” It is recognized that some estimates cannot be developed using a computer model because some environmental restoration actions are truly site-specific and unique to a particular set of contaminants for which no computer model may exist. In these instances, estimates must, by necessity, be developed based on engineering studies or estimates instead of relying on computer models. Estimates based on engineering studies or estimates, other methods, or computer models shall be fully documented.

140105. Environmental restoration estimates are subject to audit. Cost estimate preparation may involve the application of specialized methods, accumulation and study of historical costs, and the conduct of technical analyses. Estimating tools used must be verified, validated, and determined to be reasonably accurate. Organizations that prepare cost estimates must retain adequate documentation to identify data sources, estimating method accreditation (including parametric models) and rationale used (see Key Accounting Requirement Number 8 in Chapter 3 of Volume 1 of this Regulation). Documentation of management review also must be retained.

★ 140106. Cost estimates for some aspects of restoration activity (e.g., studies, investigations, remedial actions, or monitoring) may be specific amounts or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used. If no amount within a range is considered a better estimate than other estimates, then the minimum amount in the range should be used.

140107. Cost estimates for restoration activities should only be offset by estimated cash proceeds when the proceeds are permitted to be retained and used by the organization that will fund the disposal costs.

★ 140108. Environmental restoration liability estimates that are material at the reporting level, as identified in Section 0106 of Chapter 1 of Volume 6B of this Regulation, shall be recorded in the accounting system and reported in the financial statements as of the report date.

1402 ACCOUNTING POLICY FOR ACCRUED ENVIRONMENTAL RESTORATION COSTS FOR GENERAL PP&E AND STEWARDSHIP LAND

★ 140201. Environmental Restoration liabilities shall be measured as described in paragraph 140202 and recognized as described in paragraph 140203 of this Chapter, as of the reporting date (e.g., fiscal year-end), for locations the DoD is legally obligated to restore (environmental restoration) and for locations the Department has entered into agreements to restore.

★ 140202. The Office of the Deputy Under Secretary of Defense (Installations & Environment) (ODUSD(I&E)) issues policy and management guidance addressing environmental restoration efforts involving the DoD:

A. The Defense Environmental Restoration Program includes active installations and FUDS, and the Base Realignment and Closure Restoration Program for BRAC installations. Environmental restoration activities are further categorized as installation restoration, munitions

response activities (which includes the clearance of ordnance and explosive wastes at FUDS property and munitions left on closed, transferred, or transferring ranges), and building demolition/debris removal (BD/DR). Management and cost estimating guidance is contained in the document titled, "MANAGEMENT GUIDANCE FOR THE DEFENSE ENVIRONMENTAL RESTORATION PROGRAM." The guidance can be found at <http://www.dtic.mil/envirodod/> by clicking on "Policies and Documents."

B. The ODUSD(I&E) management guidance details essential installation level site inventory and reporting requirements (e.g., site identifiers, status, and cost-to-complete estimates). These data requirements are used in preparing installation and FUDS Site Management Action Plans (MAPs) and BRAC Plans (BCPs). The ODUSD(I&E) uses this information for several purposes including the preparation of budgetary requests and the Defense Environmental Restoration Program Annual Report to Congress. These site inventories and related estimated cost data also shall be used by the DoD Components as the baseline for environmental restoration liability measurement (i.e., the current cost to acquire the required services as described in Section G of the management guidance cited in the preceding paragraph).

★ 140203. Estimated environmental restoration costs for General PP&E, and stewardship land that are probable and reasonably estimable shall be recognized as expense (Account 6800) and a liability established. The liability will be reduced as restoration costs are paid (including payments for assets acquired for use in environmental restoration activities). Alternatively, the annual accumulation entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the next fiscal year-end. Figure 14-1 illustrates the most common liability account entries associated with the recognition of a future funded expense (Account 6800) and the necessary expense reversal upon the performance of restoration work. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1705 of Chapter 17 of this Volume. When an environmental restoration cost-to-complete estimate is revised (e.g., based on a new estimate or through indexing), the cumulative effect of the change shall be recognized as an expense in the current accounting period and the corresponding liability adjusted.

★1403 ACCOUNTING POLICY FOR ACCRUED ENVIRONMENTAL RESTORATION COSTS FOR POTENTIALLY RESPONSIBLE PARTY SITES

140301. Potentially responsible sites are contaminated areas that require the DoD to determine the extent to which it or other parties bear responsibility. If the DoD has entered, or is required to enter, into an agreement to provide environmental restoration, such liabilities that are reasonably estimable, shall be measured (as described in this paragraph) and recognized. When a responsibility determination will be resolved in the future, the likelihood of loss must be classified as "probable," "reasonably possible," or "remote." When the likelihood of loss is not reasonably estimable but at least reasonably possible, the nature of the contingency shall be disclosed in the financial statements. When the likelihood of loss is probable and reasonably estimable, the contingency shall be measured and recognized. Restoration cost estimates should include the following cost elements, as appropriate:

A. Studies, plans and designs, restoration activities, remedial actions, and operations (to include operating and maintenance costs of remedial systems), and the costs of contractors, engineers, and consultants.

B. Facilities, machinery, and equipment dedicated to a restoration effort that do not have alternative uses, and their associated operating and maintenance costs.

C. Compensation and benefits of government personnel that devote significant time directly to an environmental restoration effort, to include security and surveillance.

D. Long-term monitoring.

★ E. Deletion from the National Priority List, where appropriate.

ACCOUNT NO. 2995	
ACCRUED CLEANUP COSTS	
DESCRIPTION: Represents the accumulated current dollar estimate of the future environmental restoration costs associated with PP&E.	
DEBIT	CREDIT
1. Reverse expense upon receipt of services. Contra: 6800	1. Record the systematic accumulation of the environmental restoration liability estimate. Contra: 6800 7400
NORMAL BALANCE: CREDIT	
FIGURE 14-1	