Environmental and Disposal Liabilities

March 5, 2021
What is an Environmental and Disposal Liability?

- Environmental and Disposal Liability - An anticipated future outflow or other sacrifice of resources where, based on the results of due care, further study or cleanup is warranted due to past or current operations that have contaminated Department assets.
What is an Environmental and Disposal Liability?

- It’s a Future Cost to Clean Up
- Any Real or Personal Asset May Have One
- It’s Not Only Current Remediation Projects
- It’s a Bookkeeping Entry, Not a Project
- It’s a Critical Part of the Department Annual Financial Statement
- In AFR, EDL includes Environmental Remediation Liability and Asbestos Cleanup Liability", Reported Separately
What is NOT an EDL

- Permit requirements (RCRA, NPDES)
- Radon
- Environmental audits
- Routine disposal of hazardous materials
- UST/AST operation costs
- Physical security (e.g., mine adits)
- NEPA, ESA, CWA, CAA, NHPA, NAGPRA
- Location of Concern
How Do You Make an EDL?

YES
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Asbestos

- Often Used in Buildings, Ships and Aircraft
- Prior to 1980
- An Expense for Most Demo Projects
- More than 45,000 Department Buildings
- Liability is Calculated Based on GSF and Year Built
Environmental Remediation Projects

- Current Focus of Environmental Programs
- Managed at Bureaus and CHF program
- 774 Current Projects
- Regulatory Compliance is Primary Driver
- Cost-to-Complete = EDL = Project Budget
- Often Initiated by Asset Divestiture or Acquisition (Bad Planning?)
Key Characteristics of EDLs

- A Release to the Environment
  - e.g. Lead Paint on the Walls vs Lead Leached into Soil
- CERCLA, RCRA, OPA
  - Also State, Local or Tribal Regulations
- Future Outflow of Resources
  - Current FY Cleanups not Included
How Do We Recognize and Report EDLs?
Signs of a Location of Concern

- Stained Soil
- Chemical Odors
- Stressed Vegetation
- Discolored Water
- Surface Sheen
- Abandoned Dumps
- Undocumented earth piles
How Do We Sustain EDLs?
Where Are Our Asbestos Liabilities?

<table>
<thead>
<tr>
<th>Bureau</th>
<th>Asbestos Bureau Total</th>
<th>Sites</th>
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<tbody>
<tr>
<td>Bureau of Indian Affairs</td>
<td>$130,566,319</td>
<td>6,042</td>
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<tr>
<td>Fish and Wildlife Service</td>
<td>$69,314,954</td>
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<td>Bureau of Land Management</td>
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<td>National Park Service</td>
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Where Are Our Remediation Liabilities?

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<th>Bureau Amount Recognized</th>
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Bureau of Reclamation, $90,487,999

Bureau of Land Management, $42,566,632

Bureau of Indian Affairs, $42,274,820

National Park Service, $65,937,381

Fish and Wildlife Service, $135,688,371
Where Are Our Remediation Liabilities?
A Three-Tiered Approach

- Remediation and Asbestos Cost Estimates
- Environmental Disposal Liabilities Handbook
- FASAB and OMB Guidance
Environmental Disposal Liabilities Handbook

- Guidance for Bureaus and Headquarters
- Operational Controls Only
- Living Document
- Primary Documentation of Processes for Audit
- Minimum Requirement
- Currently in Revision
Bureau and Unit Role

- Environmental Assessments and Compliance Evaluations Reveal Possible EDLs
- Routine Activities Provide Due Care
- Reconnaissance Reveals Locations of Concern
- LOCs ≠ EDLs but May Become EDLs and Remediation Projects
Writing It Down

Past event or transaction identified by Due Care, recognized and measured

Inventory of EL sites and record of recognition and measurability

EL Cost Estimation

EDL or FBMS Database

Identification, recognition, measurement

Recording

Reporting

Financial Statement

Quarterly Reports
Who is Responsible?

- Environmental Managers
  - Identify and Valuate EDLs

- Bureaus
  - Track, Validate, and Report EDLs

- OEPC
  - Report EDLs to PFM
  - Policy and guidance
  - Training

- Communications
  - PAM
    - Maintain Real Property Records

- PFM
  - Reconciliation
  - SGLs
  - EDL/Asbestos Liability Reports
Internal Controls

Control Activities

- Segregation of Duties (Authorizing, Processing, Recording, Reviewing)
- Controls Over Access To Resources and Records – limited access to EDL Database
- Verifications – Bureau staff periodically verify site conditions
- Reviews of Operations, Processes and Activities – continuous review by OEPC and PFM

Monitoring

- Ongoing Monitoring – quarterly reporting
What is a Financial Audit?

- Chief Financial Officer’s Act of 1990
- Every Federal Agency Audited Every Year
- Independent Auditors Review Financial Policies and Procedures
  - Real Property
  - Personal Property
  - Payroll
  - OM&S
  - Environmental Liability
- Fund Balance w/Treasury
- Accts Payable/Receivable
- Medical and Pension Liabilities
- Contingent Legal Liabilities
Asbestos Cleanup Liability Audit

Findings

- Improvements in real property data (GSF, year built, renovation complete, etc.)
- No liability adjustment
- PFM not plan on statistical sampling.
- Sites identified where costs were not supported.
- Lack of supporting documentation.
Audit Issues

- Asbestos Cleanup Liability related:
  - Real property data – addressed by PAM

- Environmental Remediation Liability related:
  - Cost estimates
    - Old study, improper supports…..
  - Assignment of likelihood
    - Specifically, Government-acknowledged sites
    - Potential inconsistencies
The End

https://www.doi.gov/oepc/environmental-liabilities