



Determining the Presence of Environmental Liabilities in Department of Defense Equipment

If you've made it to this page, you're probably an acquisition or financial management professional working in a program management office (PMO) that is engaged in the acquisition of Department of Defense (DoD) Equipment, in particular, [General](#) and/or [Military Equipment](#) (ME).

And why are you here?

First, [DoD Instruction \(DoDI\) 5000.2](#) requires that the Program Manager "shall document hazardous materials (HAZMAT) contained in the system (or equipment) and shall estimate and plan for the system's demilitarization and safe disposal."

Second, the [DoD Financial Management Regulation \(FMR\) Volume 4, Chapter 13](#), prescribes the policy for identifying and recording environmental liabilities associated with HAZMAT on the financial statements. An environmental liability, as defined by the FMR, is "a probable and measurable future outflow of resources that exists as of the financial reporting date for environmental cleanup costs resulting from past transactions or events." The FMR also says that "placing an item in service" is an example of a "past event" ...and placing an item in service is a simplified way of saying what a PMO does.

Environmental Liabilities Quick Reference Tool

The new Environmental Liabilities Quick Reference Tool makes it easier to identify environmental liabilities in DoD Equipment and shows the correct way of reporting those liabilities on financial statements. The tool asks a series of questions that guide the end user to determine the "Proper Financial Accounting Treatment for Environmental Liabilities in DoD Equipment."

This tool must be used even if you believe the cleanup costs for HAZMAT are immaterial costs.

Instructions for using the Environmental Liabilities Quick Reference Tool

1. Locate your program's HAZMAT analysis and answer questions 3 through 10 on the Quick Reference Tool to determine if HAZMAT are in use on your program.
 - a. Most, if not all, military equipment will include elements from one or more categories of the HAZMAT identified in the tool. For example, the disposal of an aircraft could involve HAZMAT encountered in the landing gear (external coatings category) and in the aircraft cabin liner (volatile organic compounds category).
2. If no HAZMAT is present, no further action is required.
3. If HAZMAT is present, question 11 will help to determine if we have a probable environmental liability or if we have HAZMAT resulting from routine operations that will be recognized as a current operating expense.



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4. Determine if your HAZMAT analysis provides the data required to estimate disposal costs.
 - a. If yes, the environmental liability is reasonably estimable.
 - b. If not, identify individuals within your organization with past experience estimating disposal costs. These individuals may be able to provide the process and results of past estimates of similar items to use as guides. Alternatively, past study reports may be used as a guide to create new estimates for current items.
5. Further guidance for completing a disposal analysis can be found on the Under Secretary of Defense (USD) Installations and Environment [website](#) in the Environmental Liabilities Recognition, Valuation, and Reporting Requirements document.
6. Program Managers should refer to the [Chapter 13 of FMR Volume 4](#) to familiarize themselves with relevant policy guidelines for identifying, estimating, and recording Environmental Liabilities.
7. Financial Managers should refer to the [Chapter 13 of FMR Volume 4](#), to confirm that all necessary information about Environmental Liabilities is recorded on financial statements and included in financial statement notes disclosures.

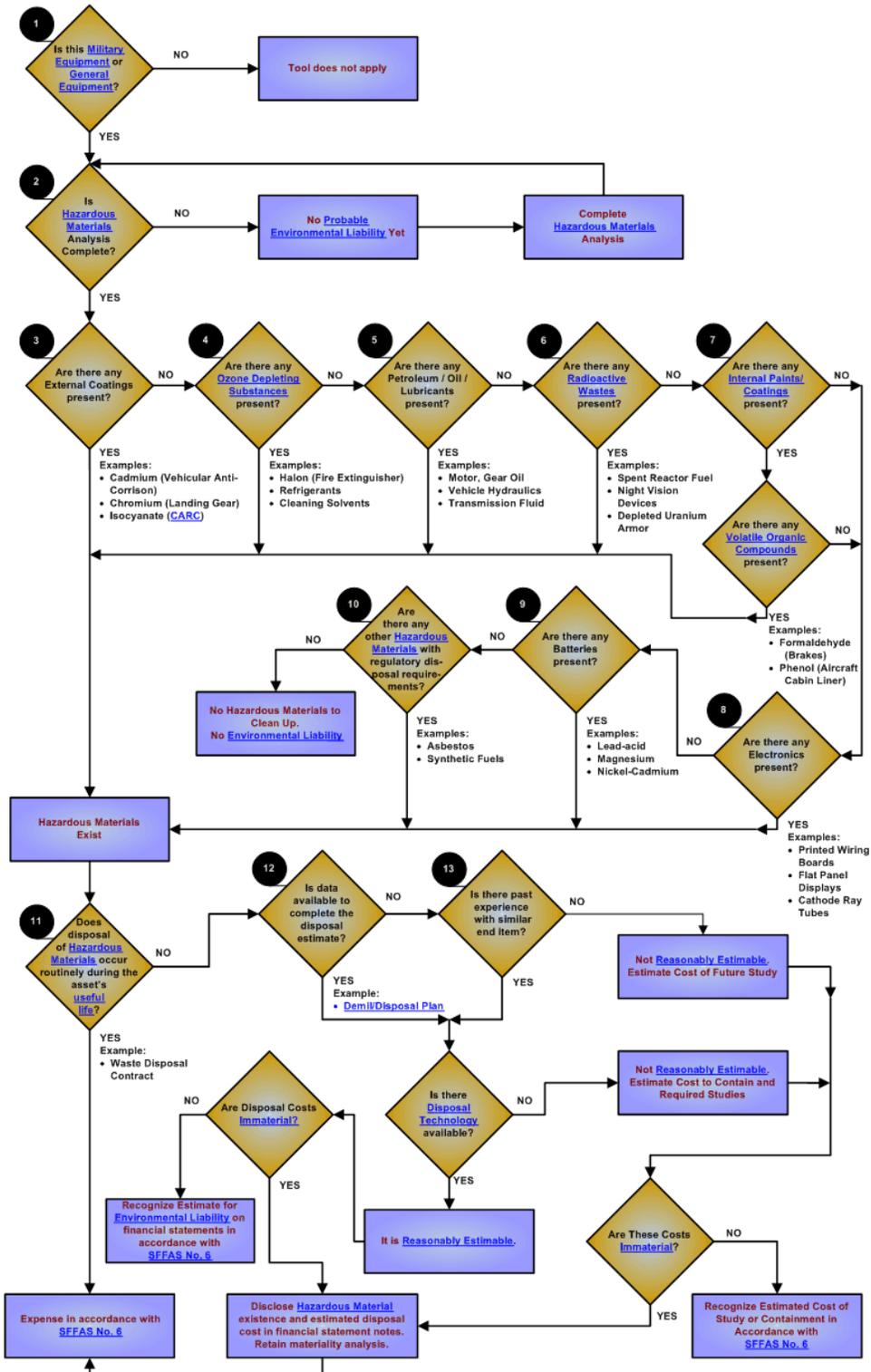
If you need assistance at any time, contact [MEVA support](#).



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Quick Reference Tool to Facilitate Determining the Presence of Environmental Liabilities in Department of Defense Equipment





Determining the Presence of Environmental Liabilities in Department of Defense Equipment Glossary of Terms

	Term	Definition	Examples
1.	CARC	Chemical agent resistant coating. A paint used on military vehicles that provides surfaces that are easily and effectively decontaminated after exposure to liquid chemical agents.	
2.	Demilitarization/ Disposal Plans	Demilitarization is the act of destroying the military offensive or defensive advantages inherent in certain types of equipment or material. Disposal is the end of life tasks and/or actions for residual materials resulting from the demilitarization and disposition processes. In the Defense Acquisition Guidebook (DAG) link to definitions at https://acc.dau.mil/CommunityBrowser.aspx?id=30277&lang=en-US and discussions at https://acc.dau.mil/CommunityBrowser.aspx?id=30276&lang=en-US .	
3.	Disposal Technology	A method that applies technical knowledge or tools that render harmful or hazardous substances harmless at disposal.	
4.	Environmental Liability	An environmental liability is a probable and measurable future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup costs resulting from past transactions or events. Definition from Department of Defense (DoD) Financial Management Regulation (FMR) Volume 4, Chapter 13 http://www.defenselink.mil/comptroller/fmr/04/04_13.pdf .	
5.	Hazardous Materials	Hazardous materials include materials that are toxic, corrosive, and reactive. In addition, some materials are unacceptable from an Environmental, Safety, and Occupational Health (ESOH) standpoint and have been banned (i.e., Halon 1301, chlordane). Definition from DAG: https://acc.dau.mil/CommunityBrowser.aspx?id=21733&lang=en-US . Discussion at same link into DAG.	



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	Term	Definition	Examples
6.	General Equipment	<p>Any item that is functionally complete for its intended purpose and that:</p> <ul style="list-style-type: none"> • Has an expected useful life of two or more years; • Is not intended for sale in the ordinary course of business; • Is intended to be used or is available for use by the entity; • Does not ordinarily lose its identity or become a component part of another article; and • Is not available for the use of the reporting entity in the performance of battlefield missions or to support related training. 	
7.	Internal Paint/Coating	<p>The application of protective materials with significantly enhanced corrosion and erosion resistance, combined with improved flow dynamics that have potential to create substantial value through the reduction of costs related to the replacement of failed and worn parts.</p>	
8.	Immaterial Costs	<p>Not material. Materiality depends on the degree to which an omission or misstatement would change or influence the judgment of a reasonable person relying on the information, and requires the application of professional judgment. Both quantitative and qualitative considerations can determine materiality. Each DoD Component is responsible for defending any immateriality determinations including documentation. From DoD FMR Volume 4, Chapter 13 http://www.defenselink.mil/comptroller/fmr/04/04_13.pdf.</p>	
9.	Military Equipment	<p>Any item that is functionally complete for its intended purpose and that:</p> <ul style="list-style-type: none"> • Has an expected useful life of two or more years; • Is not intended for sale in the ordinary course of business; • Does not ordinarily lose its identity or become a component part of another article; and • Is available for the use of the reporting entity in the performance of battlefield missions or to support related training. 	



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	Term	Definition	Examples
10.	Ozone Depleting Substances	Substances that contribute to the chemical destruction of the stratosphere (10-50km in altitude). For definition, link to Environmental Protection Agency (EPA) Ozone Depletion Glossary http://www.epa.gov/Ozone/defns.html . For discussion, link to Army Environmental Command (AEC) "Guide to Environmental, Safety, and Occupational Health Compliance for Army Weapon System Acquisition" http://aec.army.mil/usaec/acquisition/esoh2004.pdf .	<ul style="list-style-type: none"> • Halon (Fire Extinguisher) • Refrigerants • Cleaning Solvents
11.	Probable	Those which can reasonably be expected to occur or is believed to be more likely than not on the basis of available evidence or logic. Definition from Statement of Federal Financial Accounting Standards (SFFAS) 5, par. 33: http://www.fasab.gov/pdf/codification_report2007.pdf .	
12.	Radioactive Wastes	Material containing the unusable radioactive byproducts of the scientific, military, and industrial applications of nuclear energy (source: Columbia Encyclopedia).	<ul style="list-style-type: none"> • Spent Reactor Fuel • Night Vision Devices • Depleted Uranium Armor
13.	Reasonably Estimable	The ability to reliably quantify, in monetary terms, the outflow of resources that will be required. Definition from the Federal Financial Accounting and Auditing Technical Release 3 (Rescinded): Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act http://www.fasab.gov/pdf/codification_report2007.pdf .	
14.	Useful Life	The normal operating life of an end item in terms of utility to the owner.	
15.	Volatile Organic Compounds (VOC)	Compounds that have a high vapor pressure and low water solubility. Many VOCs are human-made chemicals that are used and produced in the manufacture of paints, pharmaceuticals, and refrigerants. Definition from US Geological Survey (USGS) website: http://toxics.usgs.gov/definitions/vocs.html . Discussion also at USGS website.	<ul style="list-style-type: none"> • Formaldehyde (Brakes) • Phenol (Aircraft Cabin Liner)