Department of Energy

Washington, DC 20585

May 14, 2004

MEMORANDUM FOR: FIELD CHIEF FINANCIAL OFFICERS

FROM: HELEN O. SHERMAN, DIRECTOR
OFFICE OF FINANCE AND ACCOUNTING POLICY

SUBJECT: FY 2004 Environment, Safety and Health Liability Estimates

The purpose of this memorandum is to provide guidance for developing the Environment, Safety and Health (ES&H) liability estimate for reporting in the Fiscal Year (FY) 2004 Consolidated Financial Statements. The ES&H liability represents costs to bring facilities and operations into compliance with existing ES&H laws, regulations, and applicable Department of Energy Orders. Consistent with the approach used in reporting last year's estimate, this guidance requires offices to use the most current ES&H Management Plan or equivalent planning documents: i.e., FY 2006, as the basis for estimating your FY 2004 ES&H liability.

The FY 2004 estimate should include the total estimated costs of all compliance activities identified in your FY 2006 ES&H Management Plan or equivalent alternative. Amounts reflected in the funded and unfunded compliance Activity Data Sheets (ADSs) should be summed for FY 2005 and beyond. Your FY 2004 estimate should be aggregated using the following three compliance funding categories:

1) funded operating expenses (OE) and capital equipment (CE) activities within your Target Level, summed for FY 2005 to the completion of the activity;

2) funded general plant projects (GPP) and line-item construction projects (LIP) within your Target Level, summed for FY 2005 to the completion of the project; and,

3) total estimated funding (OE, CE, GPP, and LIP) for all currently unfunded compliance activities that need to be funded in the future, summed for FY 2005 to the completion of the activity/project.

Please note that your estimate should include all ES&H compliance activities funded by all Cognizant Secretarial Offices, except the Office of Environmental Management (EM). The EM portion of the ES&H compliance liability will be reported under the environmental liability estimate. In addition to recording the ES&H liability in the accounting system, each field office must maintain documentation that describes all adjustments to the prior year ES&H compliance liability. Also, the Office of Financial Control and Reporting year-end reporting guidance will request offices to provide a

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reconciliation schedule showing the differences between the FY 2003 and FY 2004 ES&H liabilities in terms of compliance activities (1) completed, (2) re-scoped, or (3) no longer deemed necessary.

Due to the government-wide accelerated due date for audited financial statements it is necessary for your ES&H liability estimate to be included in the third quarter financial statements. Finally, to ensure that the year-end financial statements reflect the best information available regarding the Department's ES&H liabilities, any potential material changes to the liability as a result of events (e.g., fire damages) that have occurred after the third quarter submission, but before yearend, must be considered in estimating the ES&H liability.

As required in prior years, the field offices should retain signed copies of all compliance ADSs or equivalent documentation at their sites for audit purposes. In addition, a copy of management's attestation of the accuracy of the cost and scope of the ES&H data must be made available for audit review purposes.

If you should have any questions, please contact Lois Jessup on (202) 586-3959.

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