



# NASA Procedural Requirements

**COMPLIANCE IS MANDATORY**

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## **Subject: Liabilities**

**Responsible Office: Office of the Chief Financial Officer**

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## **Chapter 5 Environmental and Disposal Liability**

### **5.1 General**

5.1.1 NASA will recognize a financial liability for environmental cleanup costs that meet the requirements of section 2.2.2 of this NPR. In the case of cleanup as an ongoing part of operations (i.e., the operation or activity generates hazardous waste that is cleaned up as it is created), a liability may not need to be recognized if the need for cleanup and the full cleanup occur in the same reporting period. However, the total cost of cleanup should be recognized in the period the cleanup need arises.

### **5.2 Determining Environmental Cleanup Liability Probability**

5.2.1 NASA shall consider several key factors in determining whether a future outflow of resources for environmental cleanup is "probable." The factors are:

- a. **Likely Contamination.** NASA will exercise due care to determine if contamination is present or likely to be present on its property, plants, and equipment. If it is determined that contamination is unlikely to exist, the probable standard is not met.
- b. **NASA Related and Legally Liable.** If contamination is determined likely to be present, a determination will be made as to whether NASA is liable for the cleanup. Contamination is NASA related if it was caused or contributed to by NASA operations or is present on NASA facilities or property. The probable standard is met if it is more likely than not that NASA will be held legally liable for cleanup.
- c. **NASA Acknowledged Financial Responsibility.** If the contamination is not NASA related, NASA will determine if it has the authority to accept financial responsibility for the cleanup. If NASA does not, or cannot, accept financial liability, the probable standard is not met.
- d. **Monies Appropriated/Transaction Occurred.** In cases of NASA acknowledged financial responsibility, the probable standard is met, for financial reporting purposes, only to the extent that funds have been appropriated or authorized, an exchange or non-exchange transaction has occurred, and an unpaid balance remains as of the end of the reporting period. For example, if NASA agrees to provide \$100,000 to address environmental liability that is not NASA-related and executes a contract for \$80,000 (exchange transaction) for cleanup services, the cleanup services have been rendered, and payments under the contract total \$50,000, then liability will be recognized in the same period as the services are rendered, and in the same amount as the unpaid value of the services rendered (\$30,000).
- e. **No Known Remediation Technology Exists.** For NASA-related contamination, if no known remediation technology exists, the probable standard is not met for the full remediation. However, the probable standard is met for known costs for which NASA is responsible (e.g., Remedial Investigation/Feasibility Study (RI/FS), other studies, containment, and monitoring costs).

### **5.3 Determining Environmental Cleanup Liability Cost Estimates**

5.3.1 In determining whether probable cleanup liability is reasonably estimable, NASA will consider whether an RI/FS or other study has been conducted, whether NASA has experience with cleanup of similar sites or conditions, and whether remediation technology exists.

5.3.2 Cleanup liability is reasonably estimable if (a) an RI/FS or other study has been conducted or NASA has experience with cleanup of similar sites or conditions and (b) remediation technology exists.

5.3.3 The reasonably estimable standard is not met if (a) an RI/FS or other study has not been conducted and NASA does not have experience with cleanup of similar sites or conditions or (b) no known remediation technology exists.

5.3.4 Liability cost estimates may be prepared at the Center or other organizational level. Cost estimates prepared for this purpose should consider the anticipated costs of the level of effort required to cleanup (i.e., remediate, contain, or dispose of) hazardous waste, or contamination resulting from past transactions in accordance with applicable Federal, state, and local requirements.

5.3.5 Liability cost estimates will be revised when there is evidence that significant changes in the cost estimates have occurred due to new information about inflation, deflation, changes in applicable law or regulations, plan, technology, and/or funds expended for cleanup.

5.3.6 Liability cost estimates are subject to audit. The preparation of cost estimates may involve the application of specialized tools, methods, accumulation and study of historical costs, and/or the conduct of technical analyses. Organizations that prepare cost estimates will retain adequate supporting documentation to identify data sources, estimating methods, rationale used, and the results of management reviews.

5.3.7 Liability cost estimates should be offset by estimated cash proceeds only when the proceeds are permitted to be used by the organization that funds the cleanup costs.

5.3.8 As cleanup costs are paid, payment will be recognized as a reduction in the liability for cleanup costs. These include the cost of property, plant, and equipment (PP&E) or other assets acquired for use in cleanup activities. While the commitment of funds to cleanup activities adjusts the estimate of the remaining unfunded liability, the funded liability remains until remedial action is executed and paid.

## **5.4 Liability for Cleanup of General PP&E**

5.4.1 The estimated total cleanup cost will be:

- a. Estimated when the associated PP&E is placed in service.
- b. Based on the current estimated acquisition cost of the PP&E involved.

5.4.2 Liability for cleanup costs related to the operation of general PP&E will be recognized in a systematic and rational manner based on use of the physical capacity of the associated PP&E or over the estimated useful life of the associated PP&E. General PP&E cleanup cost liability only includes cleanup of the PP&E asset itself. Cleanup cost liability for any hazardous waste released into the surrounding environment will be estimated and reported separately. This allocation of the total estimated cleanup costs over the use of the physical capacity or estimated useful life of the PP&E also results in the periodic recognition of the expense associated with cleanup liability.

## **5.5 Liability for Cleanup of Stewardship PP&E**

5.5.1 The total estimated cleanup costs associated with stewardship PP&E will be recognized as a liability and expense in the period that the stewardship asset is placed in service.

5.5.2 The liability will be adjusted when the estimated total cleanup costs are re-estimated, as described in Section 5.3.5 of this NPR.

## **5.6 Liability for Asbestos-Related Cleanup Cost**

5.6.1 The estimated cleanup costs associated with both friable and nonfriable asbestos will be recognized as a liability and related expense when the cleanup costs are both probable and reasonably estimable.

5.6.2 Asbestos-related cleanup costs that are probable but not reasonably estimable will be disclosed in a note to the financial statements.

5.6.3 A liability need not be reflected for cleanup of materials containing nonfriable asbestos that, when repaired, renovated, removed, contained, disposed of, or otherwise disturbed, do not become friable and do not require greater than routine costs to handle.

## 5.7 Environmental Liabilities for Restoration Projects

5.7.1 Cleanup cost estimates for restoration projects will be developed in the year the hazardous condition is identified.

5.7.2 Cleanup cost estimates will be validated and reviewed periodically.

5.7.3 Restoration project cost estimates will be recorded in NASA's approved environmental cost tracking system.

5.7.4 The Center Environmental Management Offices (CEMOs) are the official depository for records, both electronic and hardcopy that support estimates for restoration project environmental liabilities. Summarized data submitted through the CEMOs to the Center Chief Financial Officer Offices (CCFOOs) for recording and disclosure should be supported by the official records.

## 5.8 Roles and Responsibilities

5.8.1 The following offices support NASA's Unfunded Environmental Liability estimation efforts related to restoration projects:

- a. Agency Environmental Management Division (EMD).
- b. Agency Office of Chief Financial Officer (OCFO).
- c. Center Environmental Management Office (CEMO).
- d. Center Chief Financial Officer Office (CCFOO).

5.8.2 Center Environmental Management Offices (CEMOs) are responsible for:

a. Estimating, documenting, and processing changes to environmental liability estimates for restoration projects in NASA's approved environmental cost tracking system. CEMOs are also responsible for creating estimates of environmental liabilities outside of the approved system and uploading it to the system for review and documentation in accordance with the procedures established by Agency EMD and Agency OCFO. The CEMOs shall have the authority to delegate these responsibilities to the respective Restoration Project Managers (RPMs).

b. Participating with the CCFOO in a Center review of environmental liability estimates.

c. Specific restoration projects identified by Agency EMD and Agency OCFO, participating in the review of environmental liability estimates with the offices listed in Section 5.8.1 of this NPR during annual updates.

5.8.3 Agency EMD. Agency EMD is responsible for managing the Environmental Compliance and Restoration Program and providing guidance on NASA environmental liability procedures to the CEMOs. Headquarters EMD is also responsible for:

- a. Initiating the annual process to update the environmental liability estimates.
- b. Providing initial review of environmental liability estimates for completeness.
- c. Providing management review for reasonableness and accuracy through EMD Advocate participation on the review efforts by the offices listed in Section 5.8.1 of this NPR.
- d. Coordinating with Agency OCFO to finalize and record the environmental liability estimate and footnote disclosures.
- e. Managing, providing training for, and supporting NASA's environmental cost tracking system.

5.8.4 Center Chief Financial Officer Office. The CCFOO shall:

- a. Participate with the CEMO in a Center review of the environmental liability estimates. For specific restoration projects identified by Agency EMD and Agency OCFO, the Center review shall occur at least one-week prior to the joint review.
- b. Participate in a joint review of environmental liability estimates conducted by the offices listed in Section 5.8.1.
- c. Record the approved environmental liability estimates in NASA's integrated accounting system.

5.8.5 Agency OCFO. Agency OCFO shall:

- a. Establish financial accounting policy for environmental liability estimates.
- b. Provide guidance and clarification on policies to the NASA Centers.
- c. Participate in the joint review of the environmental liability estimates.

d. Notify CCFOOs to record the environmental liability estimates in the Agency integrated accounting system.

## 5.9 Continuous Monitoring Program

5.9.1 For detailed verification, reconciliation, and validation of unfunded environmental liabilities, please refer to NPR 9010.2, The Continuous Monitoring Program and Financial Management Operating Procedures, and the specific control activities described in the NASA CMP.

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