

## **NAVSEA Environmental Liability Review**

In 2005 a review of accounting for Environmental Liabilities disclosed that the Naval Sea Systems Command (NAVSEA) had not identified the liability associated with disposal of spent nuclear fuel. The liability against all ships both pre and post October 1997 was being assessed at full disposal costs - as opposed to the yearly accrued costs of ships built since October 1997, as required by the Department of Defense Financial Management Regulations (FMR). The disposal costs associated with the active fleets or the Military Sealift Command ships or those ships currently on loan to the U.S. Coast Guard were not being assessed. The methodology for assessing the costs of disposal for the inactive fleet was also flawed. Lastly, there were no standard procedures, flow charts, risk assessments or much of any documentation that described how this business processes was executed.

The NAVSEA Financial Improvement Program (FIP) team, began an assessment of the processes and procedures that were used, identifying what steps needed to be changed or adjusted. The initial effort was a one time event but sustainment efforts will continue indefinitely.

The FIP team worked closely with representatives from Program Executive Office (PEO) Ships and other NAVSEA codes to produce flow charts that identified the processes, risk areas and assessments of costs and variables. The invaluable help of the Program Office experts produced exceptional data that allowed the FIP team to put together a validation package that is complete and ready for assertion. This effort aligns with the Department of the Navy's Financial Improvement Plan to achieve auditable financial statements.

The end result of this process was that all of the environmental and non-environmental liabilities associated with the disposal of all Navy, Military Sealift Command (Active Battle Forces) and ships on loan to the U.S. Coast Guard along with the disposal of spent nuclear fuel are now identified. In reviewing the process new and better ways to compute the disposal costs for the inactive fleet based on classes of ships were also identified which reduced the total estimated liability from \$885M to \$451M.

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