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# Highlights

Highlights of [GAO-06-427](#), a report to congressional requesters

## Why GAO Did This Study

The nation's military installations and nuclear weapons production facilities have accumulated many types of waste and contamination over the years. The federal government estimated its environmental liability to clean up this waste at \$249 billion in fiscal year 2004, representing the federal government's third largest reported liability. It represents a significant future outflow of funds at the same time as many other competing demands for federal dollars, but is currently not auditable. GAO was asked to address (1) the nature and extent of the government's environmental liabilities, (2) the extent to which Energy's and Defense's processes and controls were designed to estimate and report environmental liabilities in accordance with federal accounting standards, and (3) the nature and types of uncertainties that are currently not estimable but could affect the cost of cleanup.

## What GAO Recommends

GAO is making eight recommendations to help Defense improve its internal controls over its environmental liabilities by improving its financial management guidance and processes. We are also making a recommendation to help Energy improve its process for ensuring all litigation for potential disclosure is documented. Both Defense and Energy concurred with the recommendations, and described corrective actions being taken to address them.

[www.gao.gov/cgi-bin/getrpt?GAO-06-427](http://www.gao.gov/cgi-bin/getrpt?GAO-06-427).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda Calbom at (202) 512-9508 or [calboml@gao.gov](mailto:calboml@gao.gov).

## ENVIRONMENTAL LIABILITIES

# Long-Term Fiscal Planning Hampered by Control Weaknesses and Uncertainties in the Federal Government's Estimates

## What GAO Found

The federal government's environmental liability reflects the estimated cost to clean up and dispose of environmental contamination in every state in the nation. The Departments of Energy and Defense report about 99 percent of this liability. Energy's reported liability of \$182 billion relates primarily to the cleanup and disposal of nuclear waste, contamination, and by-products that resulted from decades of nuclear weapons production. Defense's reported liability of \$64 billion is primarily for the cleanup of hazardous wastes at training ranges, military bases, and former defense sites; disposal of nuclear ships and submarines; and disposal of chemical weapons.

While the design of Energy's internal controls have enabled its auditors to determine that Energy's financial statements were presented fairly and in accordance with federal accounting principles, significant weaknesses in Defense's controls have hindered it from producing auditable environmental liability estimates. Specifically, Defense's outdated and incomplete accounting guidance for developing and reporting its environmental liability estimates led to errors in financial reporting; its policies and procedures for determining, reporting, and documenting environmental liability estimates were not consistently followed; and none of the military services had adequate controls in place to help ensure that all identified contaminated sites were included in their environmental liability cost estimates. These weaknesses not only affected the reliability of Defense's environmental liability estimate, but also that of the federal government as a whole.

Even if Defense resolved its internal control weaknesses, uncertainties exist for both Energy and Defense—the effect of which cannot currently be estimated—that could increase the government's environmental liabilities beyond the currently recorded amounts. These uncertainties involve the lack of feasible or proven remediation technologies, regulatory impediments and legal challenges, and uncertainties with the agencies' abilities to meet their current cost and schedule targets. It is important to understand the nature and extent of these uncertainties because they have the potential to materially impact the ultimate cost and timing of cleanup activities.

### Craters Left as a Result of Underground Nuclear Testing at the Nevada Test Site



Source: National Nuclear Security Administration / Nevada Site Office

Energy's sites, for which estimated costs of remediation are not reported because no feasible remediation approach has been identified, include the nuclear explosion test area at the Nevada Test Site where over 900 nuclear test explosions have left residual radioactivity.