

**ACCOUNTING AND AUDIT POLICY COMMITTEE**  
**OPERATING PROCEDURES**  
**(As amended February 27, 2014)**

**Objectives.** The Accounting and Audit Policy Committee (AAPC) is a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). Its mission is to assist the Federal government in improving Federal financial reporting by timely identifying, discussing, and recommending solutions to accounting issues within the framework of existing authoritative literature. The AAPC will recommend guidance on the specific application of FASAB's SFFASs, Interpretations of SFFASs, and Technical Bulletins. As required by the AAPC's charter, the AAPC is issuing the following operating procedures to govern the AAPC's operations, which FASAB has approved.

**Relationship to Other Organizations.** The AAPC works under the general oversight of the FASAB. The AAPC is not subject to the direction or control of the CFO Council, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) [formally the President's Council on Integrity and Efficiency (PCIE)], or other government organizations. However, the AAPC will work closely with the CFO Council, the CIGIE, and other government organizations whose commitment to Federal financial reporting is essential to AAPC's success.

**Issue Submission.** Matters can be referred to the AAPC by its members, OMB, GAO, Treasury, FASAB Board members, Federal agency CFOs, IGs, or other interested parties. AAPC members are encouraged to identify issues as a means to facilitate timely resolution. The referral must be addressed to the AAPC Chairperson in writing

and clearly describe the issue requiring attention. The referral should reference relevant accounting or auditing literature, indicate what options have been considered for resolving the issue, and discuss relevant considerations and alternative views, if any. If applicable, current or past practice(s) should be described. In addition, the referral should discuss, to the extent practicable and relevant, which Federal entities would be faced with similar issues, and any practices currently being applied by entities other than the referring entity.

The AAPC will have an Agenda Committee that will consider issues submitted to the AAPC and recommend to the AAPC whether to add the issue to the agenda. To the extent necessary, the AAPC will consult with FASAB to determine the most appropriate means to address the issue.

**Issues Not Accepted by AAPC.** AAPC will not accept an issue if it has concluded that existing standards provide sufficient guidance. AAPC will notify the person or organization that submitted the issue of AAPC's decision not to add the issue to its agenda.

AAPC will not accept an issue that requires a formal interpretation or amendment of an existing SFFAS, or development of a new accounting standard. AAPC will refer the matter to FASAB for further action. AAPC will have no further responsibility for the issue. This is consistent with the AAPC's charter, which provides that the AAPC may not amend existing standards or promulgate new ones.

AAPC will not accept an issue that requires interpretation of auditing standards to resolve an audit issue. AAPC will refer audit issues to OMB in connection with its

responsibility for the Audit Bulletin and GAO in connection with its responsibility for GAGAS as appropriate. AAPC will have no further responsibility for the issue. However, AAPC may include in the referral its observation on the audit issues and take additional steps to facilitate resolution of the issues as it deems appropriate.

**Issue Acceptance and Resolution.** If the members agree that an issue is best addressed by the AAPC, it will be added to the AAPC's list of agenda items. The AAPC will prioritize agenda items. Accordingly, accepted issues placed on AAPC's agenda list may not be activated until higher priority issues are resolved.

Once an issue on AAPC's agenda list is active, it will be assigned by the AAPC chair to a member or a group of members who will research the issue and report back to the AAPC. The member or group responsible for the issue shall make recommendations for resolving the issue, including whether to establish a task force. A task force established by AAPC shall be chaired by an AAPC member. The chair of the task force will be responsible for selecting members for the task force, which may include persons who are not AAPC members, but shall provide the other AAPC members with a list of proposed task force members before making selections. The task force chair will be responsible for coordinating meetings, seeking input if necessary, and presenting the result of the task force's work to the AAPC. The result of the task force's work, including recommended actions, will be discussed at public meetings of the AAPC.

AAPC will seek input from a variety of sources, as needed, to reach a consensus. Input may be sought by:

- inviting representatives of affected agencies and/or auditors to present their views,

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- seeking the views of knowledgeable task force members,
- consulting with members of the FASAB, CFO Council, and/or CIGIE, and/or others that may be knowledgeable on issues.

All proposed guidance will include a basis for conclusions.

**Voting.** A majority of AAPC members serving shall constitute a quorum necessary for transacting AAPC business. Except as provided below with regard to approving technical releases, all voting on AAPC matters shall be conducted at AAPC meetings and actions by the AAPC shall be approved by majority vote of the members present. Members may send a substitute to participate in the meeting but the substitute shall not vote.

AAPC shall approve technical releases only if at least two-thirds of the AAPC members voting approve the release. An AAPC member not voting at a meeting may vote electronically by transmitting a vote to the AAPC Chair and the other AAPC members by the close of business of the fifth business day following the AAPC meeting at which the vote was originally taken. Once AAPC has approved a technical release, AAPC shall forward it to the FASAB. An AAPC member may prepare a dissent to an approved technical release, and the AAPC may prepare a response to the dissent, which shall be provided to the FASAB with the approved technical release. See AAPC Charter for FASAB's approval and issuance of technical releases.

**Authoritative standing of work products** AAPC issues authoritative guidance only through its technical releases. Technical releases are in the third category of authoritative guidance in the Federal GAAP hierarchy as stated in *Statement of Federal Financial Accounting Standards 34: The Hierarchy of Generally Accepted Accounting*

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*Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board.* The hierarchy is stated as follows.

### **The Hierarchy of Generally Accepted Accounting Principles**

5. The hierarchy of generally accepted accounting principles, hereafter referred to as the GAAP hierarchy, governs what constitutes GAAP for federal reporting entities. It lists the priority sequence of pronouncements that a federal reporting entity should look to for accounting and financial reporting authoritative guidance. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:
  - a. Officially established accounting principles consist of FASAB Statements of Federal Financial Accounting Standards (Standards) and Interpretations. FASAB Standards and Interpretations will be periodically incorporated in a publication by the FASAB.
  - b. FASAB Technical Bulletins and, if specifically made applicable to federal reporting entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides. **[Footnote 5:** For purposes of interpreting category (b), the word *cleared* means that the FASAB does not object to the pronouncement's issuance. **Footnote 6:** Such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by the FASAB, unless the pronouncement indicates otherwise.]
  - c. Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
  - d. Implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

**Term.** These operating procedures shall remain in effect until modified by AAPC and approved by FASAB. The AAPC will review these procedures as needed.