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# Appendix C: Memorandum of Understanding Among The Government Accountability Office, The Department of The Treasury, and The Office of Management and Budget on Federal Government Accounting Standards and A Federal Accounting Standards Advisory Board

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This Memorandum of Understanding reflects the agreement of the Government Accountability Office (“GAO”), the Department of the Treasury (“Treasury”), and the Office of Management and Budget (“OMB”) on the procedures to be followed in setting federal government accounting standards and the composition and operation of the Federal Accounting Standards Advisory Board.

Whereas GAO, Treasury, and OMB conduct a continuous program for improving accounting and financial reporting in the federal government; and

Whereas the Comptroller General, the Secretary of the Treasury, and the Director of the Office of Management and Budget established an advisory board under the Federal Advisory Committee Act, as amended (5 U.S.C. App.), to consider and recommend accounting concepts and standards for the federal government;

The Comptroller General, the Secretary of the Treasury, and the Director of the Office of Management and Budget (the Sponsors) each hereby agree to continue and serve as sponsors of the Federal Accounting Standards Advisory Board (“Board”). The Board will work under the general oversight of its Sponsors. In addition, the Sponsors each hereby agree to take related actions regarding federal government accounting standards. The Board shall be established as follows:

## Section 1. Establishment.

A. Composition. The Board shall have the following nine members:

- one GAO member,
- one OMB member,
- one Treasury member, and
- six non-federal members selected from the general financial community, the accounting and auditing community, and academia.

B. Selections and Appointments. The GAO, OMB, and Treasury members will be selected by their respective agencies. The six non-federal members will be selected by the Sponsors. In selecting the non-federal members, the Sponsors shall:

- (1) seek nominations from a wide variety of sources;
- (2) consider, among other criteria, an individual's

(A) broad professional background, and

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(B) expertise in federal government accounting, financial reporting, and financial management; and

(3) consider the recommendations of a panel convened by the chairperson.

The Sponsors will select a chairperson, who will be a non-federal member.

- C. Tenure. The GAO, OMB, and Treasury members shall serve at the discretion of their respective agency heads. The six non-federal members will serve initial terms of up to five years with a possible reappointment for one additional term of up to five years.
- D. Duties. The Board will consider accounting concepts and standards. The Board will not set or propose budget concepts, standards, and principles. In considering accounting concepts and standards, consideration will be given to the budgetary information needs of executive agencies and the needs of users of Federal financial information. Board recommendations on accounting concepts or standards will be submitted to the Comptroller General, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Congressional Budget Office.
- E. Meetings and Agendas. The Board will meet whenever necessary or at the request of the Comptroller General, the Secretary of the Treasury, or the Director of OMB, and will establish detailed working procedures. Board members will be expected to attend all meetings.
- F. Funding. The Sponsors shall share in funding the Board on an equitable basis.

## Section 2. Support Staff and Other Groups.

- A. Staff. A core group of qualified technical staff will support the Board in carrying out its duties and functions. The staff will spend its time working on Board matters and, from time to time, may be augmented with staff assigned from government departments or agencies or other organizations.
- B. Task Forces. The Board may appoint task forces as necessary to advise it on a variety of accounting matters. Task forces will play an important role in the accounting standard-setting process. They will provide expert views and recommend solutions to issues or problems.

Section 3. Accounting Concept and Standard-Setting Process. The Board will follow a six-step process for considering accounting concepts and standards. The steps in the process are:

- (1) Identification of accounting issues and agenda decisions,

- (2) Preliminary deliberations,
- (3) Preparation of initial documents (issues papers and/or discussion memorandums),
- (4) Release of documents to the public, public hearings, and considerations of comments,
- (5) Further deliberations, exposure draft, and consideration of comments, and
- (6) At least a two-thirds majority vote reached among Board members in favor of proposed concepts and standards submitted to the Comptroller General, the Secretary of the Treasury, and the Director of OMB.

The Board will determine the detailed procedures necessary to implement these steps.

Section 4. Concepts and Standards. Concepts and standards provide a frame of reference for resolving accounting issues.

When the Board has developed a proposed concept or standard, the Board shall submit it to the Comptroller General, the Director of OMB, and the Secretary of the Treasury for their review. If, within 90 days after its submission, the Comptroller General or the Director of OMB, (or both) objects (object) to the concept or standard, then it shall not be issued and will be returned to the Board for further consideration; provided however, that the Comptroller General or the Director of OMB, may, in the event that unanticipated circumstances make it difficult for the Comptroller General or the Director of OMB to complete the 90 day review timely, extend the review time for one additional 90 day period. If the Comptroller General or the Director of OMB implements such an extension, he or she will notify the FASAB Chair. If neither the Comptroller General nor the Director of OMB objects to the concept or standard during the review time provided in this paragraph, including any extension of the review time, then it shall be issued and become a final concept or standard of the Board. Concepts and standards will be announced in the *Federal Register*.

A proposed Interpretation or Technical Release shall be submitted to the members of the Board representing the three Sponsors for their review. If, within 45 days after its submission, any one of the members representing a Sponsor objects to the proposed Interpretation or Technical Release, then it shall be returned to the Board for further consideration. If, within 45 days after its submission, none of these officials objects to the Interpretation or Technical Release, then it shall become final. Final Interpretations and Technical Releases will be announced in *The Federal Register*.

The Sponsors agree that standards set and promulgated following the Board's Rules of Procedure are recognized to have substantial authoritative support, and those accounting

