

**FASAB Federal GAAP Hierarchy Workgroup  
Kickoff (Meeting #1) June 3, 2025  
Minutes from the Virtual Meeting**

**Federal GAAP Hierarchy Workgroup Participants:** Jonathan Campbell, Brian Casto, Sherif Ettefa, Kelly McFadden, Joe O'Neill, Kerrey Olden, and Kawan Taylor. **Note:** Crystal Allen, Marguerite Pridgen, and Debbi Thomas were unable to attend the kick-off meeting.

**FASAB staff:** Melissa Batchelor and Monica Valentine

**Summary of Meeting:**

Ms. Batchelor, FASAB project manager opened the FASAB Federal GAAP Hierarchy Workgroup kickoff meeting with introductions. She thanked everyone for agreeing to participate in the workgroup that will assist the Board with the reexamination of the federal GAAP hierarchy as established in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. As part of FASAB's overall reexamination of existing standards, the Board will consider ways to improve, simplify, clarify, and streamline the federal GAAP hierarchy to ensure it is effective.

Ms. Batchelor provided an overview of the history of the GAAP hierarchy and referenced the workgroup materials that contained key changes in the hierarchy since 1970. Ms. Batchelor also summarized FASAB's actions in the reexamination of existing standards project that led to the addition of the federal GAAP hierarchy reexamination project.

Ms. Batchelor provided a summary of the Board approved federal GAAP hierarchy project plan, the project objectives and planned approach as detailed in the materials provided.

The workgroup participants provided thoughtful feedback and observations:

- While the current federal GAAP hierarchy is complex with the various levels, a participant noted that some prefer the flexibility and latitude provided with the current hierarchy. Ms. Batchelor agreed and explained while most stakeholders responding to the reexamination Invitation to Comment believed the hierarchy should be simplified, two respondents had indicated that they preferred the flexibility provided with the current hierarchy so that should be considered.
- The workgroup noted that it is important to clarify the federal GAAP hierarchy in areas that lead to different interpretations and application by stakeholders. The current GAAP hierarchy should be clarified to ensure that the application of guidance is consistent.
- A participant noted that in addition to the GAAP hierarchy, SFFAS 34 addresses the application of standards issued by the Financial Accounting Standards Board (FASB). SFFAS 34 provides that general purpose financial reports prepared in conformity with accounting standards issued by the FASB also may be regarded as in conformity with GAAP for those entities that have in the past issued such reports. SFFAS 34 par. 11 provides that in rare instances, a federal entity that is preparing GAAP-based general purpose financial reports for the first time may, in consultation with its auditors and bodies with oversight authority, elect to apply standards issued by the FASB if the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards.

- Through discussions, the workgroup participants identified questions that should be addressed during the project. For example, the need to define authoritative and nonauthoritative and what should be done in instances where FASAB is silent on an issue.
- The workgroup agreed that the first step in the approach to reexamine the GAAP hierarchy is to define certain basic characteristics of the sources of accounting guidance that are to be included in the GAAP hierarchy. Along with this, the workgroup should determine the common characteristics of accounting guidance that are placed at the highest levels. Each source of accounting guidance should be assessed individually and in relation to each other so level may be determined.
- A participant explained the importance of the administrative directives in the federal government environment and how they are necessary to ensure the preparation of the need for strong administrative directives that are consistent with FASAB's standards. Given the importance and prominence of administrative directives (issued by OMB and Treasury), most participants believed it necessary to clarify the placement in the federal GAAP hierarchy.
- The workgroup had a robust initial discussion regarding the longstanding issue of the placement of OMB Circular A-136, *Financial Reporting Requirements*. OMB A-136 provides form and content guidance to agencies. OMB publishes an annual update to A-136 as part of its responsibilities for prescribing the form and content of financial statements of executive agencies under 31 U.S. Code §3515, Financial statements of agencies. Considering the Board defers to OMB for form and content of financial statements as stated in SFFAC 2, *Entity and Display* there may be a need to explicitly address.
- A participant suggested that OMB A-136 is a hybrid type of guidance because certain aspects may lead one to believe it should be authoritative but other factors would lead to not including in the GAAP hierarchy. For example, such practices do not go through the necessary due process established by the Board. Participants discussed the notion that there may be guidance required by statute but not part of the federal GAAP hierarchy.

Ms. Batchelor thanked the workgroup participants for their time and participation in the meeting.

**Next Steps:** The next workgroup meeting will focus on defining the basic characteristics of the sources of accounting guidance that are to be included in the GAAP hierarchy. Staff will provide proposed dates and times for the next workgroup meeting when minutes are distributed.