

Memorandum

GAAP Reexam

November 20, 2025

To: Members of the Board
From: Melissa Batchelor, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: GAAP Hierarchy Reexamination (Research/Issue Paper) - **Topic F**

OBJECTIVE

The objective for this meeting is to provide the Board with an update on the reexamination of the federal GAAP hierarchy project and provide staff feedback.

REQUEST FOR FEEDBACK BY **DECEMBER 8**

Prior to the Board's December meeting, please review the attached staff analyses and recommendations and respond to the ensuing question(s) by December 8, 2025.

NEXT STEPS

Pending Board member feedback, staff and the FASAB GAAP working group will develop options and recommendations for a revised federal GAAP hierarchy.

ATTACHMENTS

1. Staff Analysis and Recommendations
2. Project Timeline
3. Chart of Accounting Guidance

Staff Analysis

GAAP Reexam

November 20, 2025

Attachment 1

INTRODUCTION

As part of FASAB's overall reexamination of existing standards, the Federal GAAP Hierarchy reexamines SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*. SFFAS 34 provides the sources of accounting principles and the framework for selecting the principles used in the preparation of general-purpose financial reports of federal entities that conform with GAAP. SFFAS 34 incorporated the GAAP hierarchy into FASAB's authoritative literature. It generally carried forward the hierarchy as set forth in Statement of Auditing Standards 91, *Federal GAAP Hierarchy*. Stakeholder feedback indicated the federal GAAP hierarchy is complex and suggested the Board should

- simplify the federal GAAP hierarchy so that it may be more practical,
- clarify "practices that are widely recognized and prevalent in the federal government" because it is vague and could allow for many interpretations, and
- clarify "other accounting literature" and how it fits into the federal GAAP hierarchy.

As noted, SFFAS 34 preserved the long-standing and common practices of all U.S. accounting standard-setting bodies at the time it was issued in 2009. Since then, the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) have revisited their respective four-level GAAP hierarchies, and each reduced the number of levels.

At the April 2025 Board meeting, the Board considered and approved the project plan for the federal GAAP hierarchy project. Staff coordinated and established a FASAB GAAP hierarchy working group of 10 representatives. The working group roster includes representatives from each of the sponsors, financial management chief financial officer community, audit community, and affiliated associations. The working group has held two meetings.

Members may review the FASAB GAAP working group minutes included as reference materials to this memo. In addition, the [Federal GAAP Hierarchy project page](#) and the [FASAB GAAP Hierarchy Working Group webpage](#) provides further information on the working group objectives and activities, to include past meeting agendas, minutes, and other information.

The staff analysis that follows provides the Board with a summary of the working group efforts thus far and requests Board feedback on certain matters. Specifically, the paper presents a discussion of suggested characteristics for inclusion and placement in the federal GAAP hierarchy and the consideration of each of the sources of accounting guidance in the existing federal GAAP hierarchy against the characteristics identified. This analysis will provide a basis for placement of accounting guidance in specific categories or levels in the federal GAAP hierarchy. This paper concludes with a discussion of the continued need for all FASAB's communication methods.

STAFF ANALYSIS AND RECOMMENDATIONS

1. Characteristics for inclusion and placement in the federal GAAP hierarchy

The workgroup agreed that the first step in the approach to reexamine the federal GAAP hierarchy is to define the basic characteristics of accounting guidance that should be included in the federal GAAP hierarchy and the common characteristics of accounting guidance at the highest-level GAAP. Establishing common characteristics provides a basis for placement of accounting guidance in specific categories or levels of the federal GAAP hierarchy. These characteristics are based on the due process, purpose and use, and inclusion in the FASAB Handbook.

Due Process

When considering due process, it is critical to review FASAB's Memorandum of Understanding [FASAB's Memorandum of Understanding](#) (MOU) because it provides the procedures to be followed in setting federal accounting standards. The MOU provides the Board will follow a six-step standard setting process and that detailed procedures would be established by the Board to implement the process. The detailed procedures are described in [FASAB's Rules of Procedures](#) (ROP). The MOU provides that Statements of Federal Financial Accounting Standards (SFFAS) establish authoritative accounting standards at the highest level in the federal GAAP hierarchy. As such, SFFAS receive the most rigorous due process.

The discussion below considers key aspects of due process in determining basic characteristics of accounting guidance that should be included in the federal GAAP hierarchy and the common characteristics of accounting guidance at the highest-level GAAP.

Document for Comment/Exposure

The exposure process includes the release of documents for comment (e.g., exposure drafts) to the public, and may include public hearings when necessary, and consideration of comments.

Staff believes the opportunity for stakeholders to comment on proposed guidance is a key element of the standard-setting process. Allowance of broad participation and consideration of stakeholder viewpoints as well the opportunity for new facts and

circumstances is crucial for guidance contained in the federal GAAP hierarchy. FASAB's mission is accomplished through a "process that encourages broad participation and objectively considers stakeholder views"¹ it is important that sources in the highest category of the federal GAAP hierarchy should be subjected to broad public exposure.

Considering exposure drafts are issued for all FASAB proposals, this characteristic may be considered a given, but it is still an important characteristic. The Board's objective consideration of all stakeholder comments is a critical aspect of the exposure and due process. While important, the length of the exposure period may not be a determining factor because this may be based on other factors. For example, various factors such as the timing of the release and the critical need of the guidance may play a factor in exposure times. However, all proposed guidance must meet the minimum length of exposure as provided in the ROP.

Staff recommends that accounting guidance exposure for public comment and the Board's consideration of stakeholder comments is a basic characteristic for inclusion in the federal GAAP hierarchy.

Voting / Approval

Another consideration related to the due process is the voting and approval process. Staff believes that approval by the Board is basic characteristic required for inclusion in the federal GAAP hierarchy. Staff notes that there are varying degrees of Board approval for the different types of accounting guidance.

Per the ROP, FASAB will not issue any preliminary document, exposure draft or final pronouncement, or other document in which the Board takes a position on accounting issues without the approval of members as specified in the MOU. The MOU requires the agreement of at least a two-thirds majority of the Board for issuance of Statements (SFFASs and SFFACs). At least a simple majority is required for Interpretations.² Further, documents that establish a Board position offer Board members that do not agree with the majority position or parts of the board position to offer an alternative view during the exposure draft period and a dissent for final pronouncements.

Publications that do not establish a Board position—Technical Releases (TR) of the Accounting Standards Implementation Committee (ASIC)³ and Technical Bulletins (TB) issued by FASAB staff--are issued if a majority of members do not object.

¹ [Mission – fasab.gov](https://fasab.gov) provides more information about FASAB's mission and objectives. It provides discussion about how the mission is accomplished through participation by a variety of stakeholders throughout the standards-setting process.

² In the case of a vacancy, the approval of at least a majority or two-thirds majority of the remaining members of the FASAB voting is necessary for approval.

³ ASIC, formerly known as the Accounting and Auditing Policy Committee, is a permanent committee established by the FASAB.

Staff believes the differentiation in the voting and approval requirements is an important consideration in defining the highest level of GAAP.⁴ A formal Board approval versus a “does not object” is a valid differentiation. The highest level of GAAP should require formal Board approval and establish a Board position on accounting.

As noted, Statements, Concepts Statements, and Interpretations are formally approved by the Board whereas TBs, TRs, and SIGs are issued under the oversight of the Board when the majority of the Board does not object to their issuance.

Staff recommends that approval by the Board is basic characteristic required for inclusion in the federal GAAP hierarchy. Staff recommends that accounting guidance that is considered the highest level of GAAP should represent a position of the Board as indicated by formal voting. Staff recommends guidance under the oversight and approval of the Board as indicated by a does not object by the Board is a distinguishing characteristic for lower-level accounting guidance in the federal GAAP hierarchy.

Organization or Body Issuing

Closely related to the voting requirements is the organization issuing the guidance. The term “generally accepted accounting principles” has a specific meaning for accountants and auditors. The AICPA Code of Professional Conduct prohibits members from expressing an opinion or stating affirmatively that financial statements or other financial data “present fairly... in conformity with generally accepted accounting principles,” if such information contains any departures from accounting principles promulgated by a body designated by the AICPA Council to establish such principles. The AICPA Council has designated FASAB as the body that establishes accounting principles for federal entities.

Staff believes issuance by the Board is a distinguishing characteristic and necessary for accounting guidance to be considered the highest-level GAAP.

When looking at the sources of guidance in the existing hierarchy, there are different organizations or bodies that may issue a particular source of accounting literature. For example, the current federal GAAP hierarchy level b includes guidance from the AICPA (Industry Audit and Accounting Guides) that has been cleared by the FASAB.⁵ The federal GAAP hierarchy level c includes technical releases of the ASIC and level d includes implementation guides published by the FASAB staff. Further, if the sources included in categories (a) through (d) do not provide guidance for a transaction or event, other accounting literature may be referenced.

Staff recommends that accounting guidance that is considered the highest level of GAAP should be issued by the Board. Staff recommends that accounting guidance

⁴ Staff believes that the existing federal GAAP hierarchy separates category level A based on the distinction that the documents are formally approved by the Board.

⁵ To date, no guidance from the AICPA has been cleared by FASAB for inclusion in level b of the federal GAAP hierarchy.

issued by others and under the oversight and approval of the Board is a distinguishing characteristic for lower-level accounting guidance in the federal GAAP hierarchy.

Intended Purpose and Use of the guidance

Another characteristic for consideration is the intended purpose and use of the accounting guidance.⁶ Staff notes that there are different purposes for which accounting guidance is issued. For example, SFFASs are issued with the intent to set standards, while others, such as Concepts Statements, are not.

The ROP are clear that Statements establish authoritative accounting standards at the highest level in the federal GAAP hierarchy. The ROP provides that concepts do not contain authoritative requirements. The ROP also provides that Interpretations clarify SFFAS provisions by interpreting aspects of standard. Documents with the purpose of issuing accounting standards should be the highest level of GAAP. Staff believes the purpose of issuing standards includes guidance with the intended purpose to create new accounting standards, amend standards, as well as to interpret and clarify standards.

In contrast, documents with the purpose of providing guidance on the application and implementation of a standard or interpretation should be in the federal GAAP hierarchy but would not be considered the highest-level GAAP. The ROP provides that TRs provide guidance for applying existing Statements and Interpretations but may not promulgate new accounting standards. Similarly, the ROP also provides that staff implementation guidance (SIG) provide guidance for applying existing Statements and Interpretations but may not promulgate new accounting standards. Staff believes that documents that provide guidance for applying standards or provide implementation guidance is a distinguishing characteristic for lower-level accounting guidance in the federal GAAP hierarchy. As such, staff believes that guidance for applying the highest-level GAAP is a characteristic for lower-level guidance and that there would be at least two levels⁷ in a revised federal GAAP hierarchy.

Staff notes that TBs fall into a hybrid or gray area because the ROP provides that TBs may be issued for guidance on the application of existing Statements and Interpretations (similar to TRs and SIGs) but they also may resolve accounting issues not directly addressed by them by establishing new standards. Staff notes that this is a very important point because TBs are the only other guidance that may establish new

⁶ The focus should be on accounting guidance. While this may seem to be a given, it is important to ensure the purpose and use is for accounting guidance. Other types of guidance, such as guidance related to audit approach and audit procedures are beyond the scope of accounting guidance. Workgroup members believed that this should be stressed to ensure agreement that accounting guidance is limited to accounting topics and does not include internal control or audit guidance.

⁷ Staff believes the process of identifying the characteristics demonstrates that there are at least two levels (highest level and lower level) in a revised federal GAAP hierarchy. However, determining if the lower level should be further divided will be assessed when options are developed.

standards beyond standards. However, TBs are generally constrained by specific guidelines and are typically limited to time critical topics and emerging issues.

Staff notes that stakeholders conveyed concern regarding the multiple GAAP levels. Comments noted there is a confusion among the purposes for each of the different FASAB communication methods or GAAP vehicles and there appears to be overlap among them that compounds the confusion. Stakeholders noted that it's very confusing when two different vehicles that can be used to accomplish the same thing. Further discussion of the overlapping purposes and consideration of whether all existing communication methods are needed will be explored further in the next section of this paper, [Consideration of the Sources of Guidance](#).

Staff recommends accounting guidance that is considered the highest level of GAAP is issued with the intended purpose of creating, amending,⁸ interpreting or clarifying standards. Staff recommends accounting guidance that provides guidance for applying or implementing higher-level guidance is a distinguishing characteristic for lower-level accounting guidance in the federal GAAP hierarchy.

Inclusion in the FASAB Handbook

The [FASAB Handbook of Accounting Standards and Other Pronouncements, as Amended \(Current Handbook\)](#)—an approximate 2,900-page PDF—is the most up-to-date, authoritative source of generally accepted accounting principles (GAAP) developed for federal entities. Each pronouncement is presented individually in the [handbook by chapter](#), and those issuances not already included in the [complete handbook](#) will be incorporated into the next annual update. The annual update includes incorporating amendments within each previously issued pronouncement.

Considering the FASAB Handbook is the most up-to-date authoritative source of GAAP, staff believes that a basic characteristic for inclusion in the GAAP hierarchy is the guidance should be included in the FASAB Handbook. Although the FASAB Handbook contains the highest-level GAAP, lower-level guidance and Other Accounting Literature (Concepts), inclusion signifies that these are the most important guidance provided by FASAB and it is the first stop for stakeholders when researching accounting issues.

Staff recommends that inclusion in the FASAB Handbook is a basic characteristic for accounting guidance inclusion in the federal GAAP hierarchy.

Other factors

In addition to the characteristics described above, the workgroup agreed that there are several other factors and considerations when assessing the existing FASAB GAAP hierarchy. These other factors and considerations were also presented in the approved project. These include stakeholder comments to the Invitation to Comment (ITC), comment letters received on the Exposure Draft SFFAS 34, and the hierarchies of other

⁸ "Amending" is used broadly to refer to changes to a standard that may include rescinding.

standard setters. In addition, the Board should consider the impact of any proposed changes and determine if all existing communication methods are needed.

Most of the ITC respondent comments were centered on the following areas: simplifying the GAAP hierarchy, clarifying level D GAAP (including the areas of “practices that are widely recognized and prevalent in the federal government” and administrative directives), and revisiting Other Accounting Literature. Staff notes that certain comments to the ITC related to “practices that are widely recognized and prevalent in the federal government” and administrative directives. These comments echoed the comments that had been received on the SFFAS 34 exposure draft. In the basis for conclusions to SFFAS 34, the Board acknowledged that respondents to the exposure draft believed it would be useful to discuss the location of administrated directives within the hierarchy. The Board declined to do so, noting that there are multiple sources of administrative directives, many different types of directives, and varying processes for developing those directives. Although the Board didn’t see the immediate need to address, the Board noted in SFFAS 34 footnote 10 that the request would be considered during its technical agenda review. Based on the ITC feedback, the concerns identified remain.

Staff notes that the hierarchies of other standard setters is another important consideration, especially considering FASB and GASB have since reviewed their respective four-level GAAP hierarchies, and each reduced the number of levels. They both also addressed the use of “authoritative” and “nonauthoritative” literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.⁹

As part of the reexamination of the federal GAAP hierarchy, staff believes that the Board should also consider if all existing GAAP communications methods are still appropriate. For example, if levels are reduced and certain sources of accounting are on the same hierarchy level, the Board may consider whether all existing vehicles are necessary.

Along with considering the need for all GAAP vehicles, the Board should also consider whether any suggested changes to the federal GAAP hierarchy would necessitate changes to the ROP. Lastly, it is also important to consider the impact of any federal GAAP hierarchy changes. Any potential significant change may result in the need to assess and consider the statuses of existing guidance and determine if implementation guidance or transitional provisions are needed.

⁹ Staff notes the Board may want to consider the use of authoritative and nonauthoritative as it reexamines the federal GAAP hierarchy, but staff believes this should occur after initial discussions and there is a better understanding of the Board’s preferred approach. For example, there may be concern with using ‘nonauthoritative’ to describe certain guidance in the federal environment.

Staff Recommendation

Staff recommends the following basic characteristics be used to assess accounting guidance for inclusion in inclusion in the federal GAAP hierarchy:

- *exposed for public comment and include the Board's consideration of stakeholder comments*
- *approved by the Board, and*
- *included in the FASAB Handbook.*

Guidance that meets the basic characteristics for inclusion in the federal GAAP hierarchy should be assessed against the common distinguishing characteristics of the highest-level GAAP and lower-level GAAP to determine placement. Staff recommends the following distinguishing characteristics be used to assess accounting guidance for placement in the federal GAAP hierarchy.¹⁰

Distinguishing characteristics for accounting guidance that is considered the highest-level GAAP in the federal GAAP hierarchy:

- *represent a position of the Board as indicated by formal voting and issuance by the Board, and*
- *issued with the intended purpose of creating, amending,¹¹ interpreting or clarifying standards.*

Distinguishing characteristic for accounting guidance that is considered below the highest level, or a lower level in the federal GAAP hierarchy:

- *under the oversight and approval of the Board as indicated by a does not object approval by the Board and issuance by others, and*
- *issued with the intended purpose to provide guidance for applying or to provide implementing higher-level guidance.*

¹⁰ Staff believes the process of identifying the characteristics demonstrates that there are at least two levels (highest level and lower level) in a revised federal GAAP hierarchy. However, determining if the lower level should be further divided will be assessed when options are developed.

¹¹ "Amending" is used broadly to refer to changes to a standard that may include rescinding.

Question #1 for the Board:

1. Does the Board agree with the staff recommended basic characteristics for inclusion in the federal GAAP hierarchy and distinguishing characteristics to provide a basis for placement of accounting guidance in specific categories or levels of GAAP? If you do not agree, please explain and provide a preferred approach.

2. Consideration of the Sources of Guidance

The GAAP workgroup agreed that the next step was to consider each of the sources of accounting guidance in the existing federal GAAP hierarchy against the basic and common distinguishing characteristics identified. The analysis also considers the other factors and considerations and references considerations as appropriate when assessing each source of guidance in the existing FASAB GAAP hierarchy. The analysis, which considers the guidance, both individually and relative to each other, provides a basis for identifying the guidance to be included and the placement of accounting guidance in specific categories or levels in the federal GAAP hierarchy.

Statements of Federal Financial Accounting Standards (SFFAS)

As noted, the MOU provides that SFFAS establish authoritative accounting standards at the highest level in the GAAP hierarchy. As such, SFFAS receive the most rigorous due process, and staff considered their due process extensively in determining the basic characteristics for inclusion in the federal GAAP hierarchy and the distinguishing characteristics for the highest-level GAAP. Considering this, SFFAS obviously meet the basic characteristics for inclusion in the federal GAAP hierarchy and the distinguishing characteristics for the highest-level GAAP. Staff believes their placement should continue to be the highest level of GAAP.

Staff notes that a proposed SFFAS is submitted to the Secretary of the Treasury, the Director of OMB, and the Comptroller General. If, within 90 days after its submission, neither the Director of OMB nor the Comptroller General objects to the SFFAS, then it will be published by FASAB. The MOU provides this specific requirement for SFFASs and Concepts; no other documents are subject to this requirement.¹²

¹² Although no other documents are subject to review by the principals, it is important to note that the MOU provides that proposed Interpretations and Technical Releases are submitted to the members of the Board representing the three Sponsors for their review. If within 45 days after submission there are no objections, then it becomes final. If within 45 days of submission, any one of the members representing objects, then it should be returned.

The workgroup considered whether the sponsor review should be considered a distinguishing characteristic for highest-level GAAP, but the workgroup believed that this requirement is rooted to the history of FASAB and Board procedures prior to FASAB receiving its GAAP designation. Prior to FASAB's designation as a GAAP setting body, FASAB recommended standards and concepts to the sponsors. The workgroup did not believe this should be considered a distinguishing characteristic for the highest-level GAAP. The workgroup noted that the board includes representatives from Treasury, OMB, and GAO and their inputs are, therefore, reflected within the two-thirds vote requirements. Considering these points, staff does not view sponsor review as a characteristic but is an important indication.

Interpretations

Interpretations clarify SFFAS. These clarifications may include clarifying the original meanings and providing other guidance for existing SFFAS. Interpretations are typically narrow in scope because they are interpreting standards and addressing needed clarifications. To date, FASAB has issued 11 Interpretations, with three¹³ being rescinded by later SFFASs, so there are 8 Interpretations in effect.

The due process procedures for Interpretations are generally the same as SFFAS with a few minor differences. Proposed interpretations are exposed for public comment for at least 30 days. Staff notes that 30 days is the minimum exposure; they may be exposed for longer periods if deemed appropriate. Interpretations are approved by a majority of the Board and issued if it is not objected to by a Board member representing a principal within 45 days.

Interpretations are currently level A or the highest level of GAAP. While it may appear reasonable to say that guidance previously considered at the highest level should continue, staff believes it important to assess each source against the basic and distinguishing characteristics. When assessing Interpretations against the suggested basic characteristics for inclusion in the federal GAAP hierarchy, interpretations meet all the basic characteristics.

When assessing Interpretations against the distinguishing characteristics for the highest-level GAAP, Interpretations meet the distinguishing characteristics for the highest-level GAAP. The ROP is clear that Interpretations establish Board positions. Interpretations represent a position of the Board as indicated by formal voting and are issued by the Board with the intent to interpret or clarify standards. Staff believes Interpretations should remain in the highest level of GAAP.

When comparing Interpretations and SFFASs, Interpretations require approval by a majority of the Board versus the 2/3 majority required for SFFASs. Staff notes that there is also a difference in the required minimum day of exposure, but as noted, this is not

¹³ Interpretations 1, 3, and 6.

considered to be a significant factor in the assessment because the exposure period may change based on other factors.

Staff notes that some may question if there is a continued need for Interpretations, especially considering they are (and would continue) to be on the highest level of GAAP with SFFASs. For example, given some of the similarities, couldn't topics that arise in the future be issued through a Statement instead of an Interpretation. Staff notes that when GASB reassessed its hierarchy, GASB discontinued the use of Interpretations and noted they would be fulfilled by Statements going forward.¹⁴

While staff understands and appreciates the fact that there are similarities between SFFAS and Interpretations, staff believes that FASAB's use of Interpretations fulfills a critical need. Interpretations have allowed the Board to provide needed interpretations of standards and expand as necessary with clarifications. Staff also notes that there have been several interpretations that consider more than one SFFAS in providing the needed clarification. It is often necessary to provide this type of context that considers more than one SFFAS to provide the appropriate understanding, context, and connection of existing standards that may not be considered during the development of a standard. Further, most often interpretations result from a need or clarification identified by stakeholders after SFFASs have been issued and not one that is apparent during the development of a SFFAS. Staff believes this further underscores the need for the continued use of interpretations.¹⁵

The last section of this paper, [Continued Need for all FASAB Communication Methods](#) provides a summary of staff's analysis of FASAB's existing communication methods and considers whether all are needed.

Technical Bulletins (TB)

Technical bulletins provide timely guidance on certain financial accounting problems of federal financial reporting entities. The ROP states that TBs "provide guidance for applying existing FASAB Statements and Interpretations and resolving accounting issues not directly addressed in them by establishing new standards." Staff notes that this is a very important point because it does provide for establishing new standards. No other guidance permits this beyond standards. However, TBs are constrained by specific guidelines that will be discussed below. TBs are considered staff documents under the oversight of the Board.¹⁶ To date, 13 TBs have been issued, with the first one

¹⁴ Interpretations in effect at the time were included in level A of the GASB hierarchy

¹⁵ For example, Interpretation 2, *Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5* addresses how Federal entities should report the costs and liabilities arising from claims to be paid by the Treasury Judgment Fund and how the Judgment Fund should account for the amounts that it is required to pay on behalf of Federal entities. A more recent example, Interpretation 10, *Interpretation of Federal Financial Accounting Standards 10, Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31* clarified the classification and presentation of non-federal non-entity Fund Balance with Treasury.

¹⁶ TB 2000-1 explains that the Board has authorized its staff to prepare FASAB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems of federal financial reporting entities.

defining the purpose, scope and procedures and two TBs providing deferral of a previous TB. Therefore, 10 topics have been issued with guidance that is in effect.

[TB 2000-1](#) describes the purpose and scope of FASAB TBs, guidelines for assessing whether an issue may be resolved by issuing a TB, the procedures for issuing them, and related background information. TB procedures provide for both due process (more limited in scope and within a tighter minimum time frame than provided for Statements and Interpretations) and review but no vote by FASAB members.

TB 2000-1 explains that the following kinds of guidance may be provided in a TB:

- a. Guidance to clarify, explain, or elaborate on an underlying Statement or Interpretation,
- b. Guidance to address areas not directly covered by existing Statements or Interpretations,
- c. Interim guidance on problems in applying an existing Statement or Interpretation currently under study by the FASAB, or
- d. If applicable, guidance for applying FASB or GASB standards to federal activities.

Staff notes that TB 2000-1 explanation of the types of guidance wording is slightly different than the language in the ROP. While TB 2000-1 states that TBs may “address areas not directly covered by existing Statements or Interpretations,” it does not include the phrase “by establishing new standards.”¹⁷ TB 2000-1 emphasizes that TBs are to provide timely guidance for both currently emerging and existing problems and notes that Statements and Interpretations would be the primary method of communication.¹⁸

TB 2000-1 explains that FASAB staff analyzes an accounting or reporting problem to determine whether the problem may be resolved by issuing a FASAB TB. Staff believes this section provides guardrails as to what may be addressed through a TB, because the intent are for TBs to address time sensitive, narrow topics. Generally, a TB can provide guidance if the problem can be resolved within the following guidelines:

- a. The guidance is not expected to cause a major change in accounting practice.
- b. The administrative cost involved in implementing the guidance is not expected to be significant to most affected entities.

¹⁷ Staff is uncertain if this difference was intentional to downplay the notion of TBs ability to establish new standards.

¹⁸ Paragraph 2 of TB 2000-1 explains that “The FASAB anticipates that it will communicate primarily through the issuance of Statements and Interpretations. Such pronouncements may require extensive due process, including appointing task forces and holding public hearings. The FASAB also recognizes the need for providing timely guidance to financial statement preparers and attestors.”

- c. The guidance does not conflict with a broad fundamental principle or create a novel accounting practice.

Although TBs may provide guidance to address areas not directly covered by existing Statements or Interpretations, TB 2000-1 guidelines explain that the TB guidance can only be issued if it does not conflict with a broad fundamental principle or create a novel accounting practice and it is not expected to cause a major change or implementing is not expected to be significant administrative cost. These guidelines truly limit the types of issues that can be addressed in a TB. TB 2000-1 further explains that generally, a FASAB Statement or Interpretation is more appropriate than a Technical Bulletin if any of these guidelines is not met. Staff believes the wording of TB-2000-1 leads to inferring that TBs should be considered in a category other than the highest-level GAAP.

When considering the due process, if Board members agree and support guidance through a TB, the due process time and procedures are much shorter than for other types of guidance. As noted, TBs are considered staff documents. Board members are provided a copy of the TB before its exposure for comment. The Executive Director reviews Board member comments and confirms that a majority do not object to the proposed TB so that it may be exposed for comment. TBs are then exposed for a minimum of 15 days.¹⁹ Similar with other pronouncements, the Board receives a copy of all comments received on the TB exposure draft so they may be considered.

TBs are approved and issued absent an objection from a majority of members and as such, they do not represent a formal Board position. It is also important to note that a TB will not be issued if a majority of the FASAB members object to communicating that guidance in a TB. Meaning, members may agree with the guidance drafted but do not agree with the TB vehicle being used. For example, a member may agree with the guidance proposed but may believe it should be issued through a different communication method, such as an interpretation. TBs are currently considered category b in the existing hierarchy and thus, do not have the same level of authority as Statements or Interpretations in the existing hierarchy.

When assessing TBs against the suggested basic characteristics for inclusion in the federal GAAP hierarchy, TBs meet all the basic characteristics. When assessing TBs against the distinguishing characteristics for determining whether TBs should be included in the highest-level GAAP, TBs do not meet the distinguishing characteristics for highest level GAAP because TBs do not represent a position of the Board as indicated by a formal vote and they are not issued by the Board.

When assessing TBs against the distinguishing characteristics for accounting guidance that is considered a lower level in the federal GAAP hierarchy, TBs meet all of the distinguishing characteristics for lower-level GAAP. Specifically, TBs are staff issued documents under the oversight and approval of the Board (as indicated by a does not

¹⁹ TB 2000-1 explains that the determination of the length of the exposure period will depend on the nature and urgency of the issue. The Board generally prefers that exposure periods be longer than the minimum required and expects that normally exposure periods will be for at least 30 days. The exposure period is relative to the time sensitivity of the issue.

object by the Board for approval) and are issued with the intended purpose to provide guidance for applying standards.

Although TBs are issued with the intended purpose to provide guidance for applying standards; TBs fall into a gray area because TBs can also address areas not directly covered in Statements and Interpretations provided the guidance does not conflict with a broad fundamental principle, cause a major change in accounting practice and the cost involved in implementing the guidance is not expected to be significant to most affected entities.

Considering TBs may provide guidance to address areas not directly covered by existing SFFASs and Interpretations may lead to questioning whether TBs should be in the highest-level GAAP. Although TBs can establish new requirements, they must adhere to certain guidelines or guardrails established in TB 2000-1. Such guidelines limit the situations where a TB may be used. Staff believes the guardrails established in TB 2000-1 are guidelines to limit the scenarios when a TB can be used. If the appropriateness of issuing a TB is in doubt, the FASAB may choose instead to issue a Statement or Interpretation or take other action as it deems appropriate. Staff believes the reference to use of Statements and Interpretations signals that TBs are a lower level in the federal GAAP hierarchy. Staff believes that the wording “guidance to address areas not directly covered by existing Statements or Interpretations” supports that they are limited in scope, and TBs do not establish Board positions.

When attempting to reconcile the fact that TBs may address areas that are not covered in SFFAS, staff believes that changes to the rules of procedures and resulting due process would be needed for TBs to be considered at the highest-level GAAP. Absent changes to due process, staff believes TBs would continue to be a level under those sources at the highest-level. Meaning, if the Board believes the TBs ability to establish new requirements is a critical point that should place them in the highest-level GAAP, the rules of procedures should be changed to include TBs being a position of the Board as indicated by a formal vote and the document be issued by the Board. Staff believes making such changes to due process would naturally impact the timeliness of TBs and this would not be consistent with the purpose of providing timely resolution.

Another consideration is whether there is a continued need for this type of vehicle given the questions related to its purpose. Staff believes that TBs fulfil a critical purpose for issuing timely guidance when needed. In practice, TBs are significantly narrower in scope and generally result in more timely guidance. TBs provide FASAB with the ability to quickly respond to significant changes or emerging issues in the federal accounting environment. TBs provide for the quickest and shortest due process requirements.²⁰

The last section of this paper, [Continued Need for all FASAB Communication Methods](#) provides a summary of staff’s analysis of FASAB’s existing communication methods and considers whether all are needed.

²⁰ SIGs have very similar due process requirements and will be discussed later in this paper.

Technical Releases (TR)

FASAB's ROP authorizes the Accounting Standards Implementation Committee (ASIC), formerly known as the Accounting and Auditing Policy Committee, to issue technical releases related to existing federal accounting standards. The ASIC is a permanent committee authorized to improve federal financial reporting through the timely identification, discussion, and recommendation of solutions to accounting issues. ASIC's mission is to assist the federal government in improving federal financial reporting by identifying, developing, and recommending timely solutions to address accounting issues within the framework of existing GAAP set forth by FASAB.

The ASIC works under the general oversight of the FASAB and is subject to the approval of the FASAB. ASIC policies are specified in their Charter and Policies and procedures. These documents can be found at [About ASIC – fasab.gov](https://fasab.gov/about-asic). The ASIC Charter and operating procedures specify due process procedures, ASIC voting requirements, and the FASAB approval requirements.

The ASIC only addresses implementation issues specifically referred by FASAB. The ASIC issues Technical Releases (TRs) related to existing GAAP. Specifically, TRs provide guidance for applying existing SFFASs, Interpretations, and TBs. TR guidance cannot amend existing standards, promulgate new standards, or issue guidance that conflicts with existing standards. To date, there have been 23 TRs issued, with one rescinding a previous TR and five TRs amending, updating, or providing conforming amendments to existing TRs which results in 16 TRs in effect.

Before issuing an exposure draft (ED) of a TR, the ASIC submits a final draft ED, which has been approved by the ASIC, to FASAB for the Board's review. If, within 10 business days, a FASAB member believes that there are substantive issues that should be addressed before the ED is issued, the Board member may request the ED be considered at a Board meeting. After consideration at a Board meeting, if a majority of the Board members believe that there are substantive issues that should be addressed before the ED is issued, it will be returned to the ASIC for further consideration, along with the issues to be addressed by the ASIC. If no FASAB member requests the ED be considered at a Board meeting within 10 business days or if the Board does not return it to the ASIC for further consideration, the ED can be released.

The ASIC submits all approved TRs for issuance to FASAB for its review and approval. The ASIC-approved TR is then considered/discussed at the next Board meeting. If a majority of the FASAB members object to the ASIC-approved TR during the 10-business day review period, the TR is returned to the ASIC for further consideration. If a majority of FASAB members do not object to the TR, it is submitted to the FASAB members representing the three sponsors for a 45-calendar day review period. If a FASAB member representing a sponsor object to the TR during the review period, it is returned to the ASIC for further consideration. If no FASAB member representing a FASAB sponsor objects to the TR during the review period, then it becomes final.

When assessing TRs against the basic characteristics for inclusion in the federal GAAP hierarchy, TRs meet all the basic characteristics. When assessing TRs against the distinguishing characteristics for determining whether TRs should be included in the highest-level GAAP, TRs do not meet the distinguishing characteristics for highest level GAAP. TRs purpose is to provide guidance for applying the highest-level GAAP would preclude it from being considered as the highest level of GAAP.

When assessing TRs against the distinguishing characteristics for accounting guidance that is considered a lower-level, TRs meet all the distinguishing characteristics for lower-level GAAP. Specifically, TRs are ASIC issued documents under the oversight and approval of the Board (as indicated by a does not object by the Board for approval) and are issued with the intended purpose to provide guidance on the specific application of SFFASs, Interpretations, or TB.

Alternatively, some may question if there is a continued need for TRs. Staff notes that there are overlaps in the purpose when compared to TBs and SIGS. However, the ASIC is a permanent committee that was established to assist in improving federal financial reporting by identifying, developing, and recommending timely solutions to address accounting issues within the framework of existing GAAP. Staff believes TRs provide the Board with an avenue to address questions through a permanent committee with established processes similar to and approved by the Board, which is unique when compared to other FASAB vehicles.

The last section of this paper, [Continued Need for all FASAB Communication Methods](#) provides a summary of staff's analysis of FASAB's existing communication methods and considers whether all are needed.

Staff Implementation Guidance (SIG)

SIGs provide guidance for applying existing Statements and Interpretations but may not promulgate new accounting standards. SIGs have been rare, as there have only been three SIGs issued over FASAB's 30 plus years. SIGs are currently level d in the existing federal GAAP hierarchy.

The staff policy manual provides the guidelines for the development of proposed SIGs. SIGs are typically narrow in scope and often result from a technical inquiry or other request for guidance. When questions are considered to have widespread application, FASAB staff considers whether such guidance should be disseminated more broadly through a SIG. SIGs are typically in the form of questions and answers.

The purpose of SIG is to ensure more timely and consistent communication about the application of FASAB literature. SIGs are FASAB staff documents with a shortened due process to provide for timely guidance. In summary, once staff has performed the necessary research on the issue, FASAB staff drafts the SIG and then obtains review and concurrence from two other FASAB staff members. Next, the draft SIG is sent to the executive director and the FASAB chairperson for their review and concurrence. After their approval, FASAB staff hosts a public meeting to discuss the draft SIG to raise

awareness and provide open communication with stakeholders about the proposed SIG before an exposure draft is released. Next, staff will update the SIG based on any information learned at the public meeting. Although not required, FASAB staff may share the draft SIG with the board for their consideration prior to exposing. The SIG is exposed for a minimum fifteen day²¹ comment period. Similar to other pronouncements, staff provides the Board with all comment letters received along with a staff analysis and the proposed final SIG to members for a 15-day review period. If a majority of the Board does not object, the SIG is then issued.

When assessing SIGs against the suggested basic characteristics for inclusion in the federal GAAP hierarchy, SIGs meet all the basic characteristics. When assessing SIGs against the distinguishing characteristics for determining whether TBs should be included in the highest-level GAAP, SIGs do not meet the distinguishing characteristics. When assessing SIGs against the distinguishing characteristics for accounting guidance that is considered a lower level in the GAAP hierarchy, SIGs meet the distinguishing characteristics for lower-level GAAP. Specifically, SIGs are staff issued documents under the oversight and approval of the Board (as indicated by a does not object by the Board for approval) and are issued with the intended purpose to provide guidance for applying standards.

As part of this reexamination, some may question the need for SIGs as a necessary GAAP communication method if these types of issues could be handled through another method, such as a TR or TB. As noted, the purpose of SIGs is to ensure more timely and consistent communication about the application of FASAB literature. While TRs also address application of FASAB literature, a TR would not be timely because of the additional operating procedures of ASIC would require more time and not be consistent with the intent.

However, staff notes that TBs also provide FASAB with the ability to quickly respond to issues. TBs and SIGs are both staff documents under the oversight of the Board and both are used for time sensitive issues. A key question for consideration is whether both vehicles are needed.

The last section of this paper, [Continued Need for all FASAB Communication Methods](#) provides a summary of staff's analysis of FASAB's existing communication methods and considers whether all are needed.

AICPA Industry Audit and Accounting Guides

AICPA Industry Audit and Accounting Guides was placed in the existing GAAP hierarchy when SFFAS 34 was developed. As previously noted, SFFAS 34 generally carried forward the hierarchy as set forth in Statement of Auditing Standards 91, *Federal GAAP Hierarchy*. The AICPA was the original standards-setting body tasked by

²¹ Staff notes that 15 day is the minimum exposure period. SIGs may be exposed longer based on the time sensitivity

the SEC and still identifies Rule 203 entities (which currently defines FASB, GASB and FASAB as the bodies to set accounting principles for their respective areas).

AICPA Industry Audit and Accounting Guides are level B in the existing hierarchy. SFFAS 34 includes them in level B by stating: “if specifically made applicable to federal reporting entities by the AICPA and cleared by the FASAB.” Footnotes to the paragraph explain that the word cleared means that FASAB does not object to the issuance and that such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by the FASAB, unless the pronouncement indicates otherwise. To date, FASAB has not cleared any AICPA guides and staff is not aware of any that are made applicable to federal reporting entities. There have been no requests by stakeholders for FASAB to consider such documents or whether certain AICPA pronouncements should be used.

When assessing the AICPA guides against the suggested basic characteristics for inclusion in the federal GAAP hierarchy, they do not meet the basic characteristics for inclusion. Based on this, such guidance should be considered for inclusion in the Other Accounting Literature.

Staff notes that under the existing federal GAAP hierarchy, AICPA guides ‘not cleared’ would naturally fall under other accounting literature. Removal of the AICPA guidance from the federal GAAP hierarchy would, in effect, eliminate the need for AICPA literature to be cleared and result in all the AICPA guidance being considered other accounting literature. Staff believes this is in essence the same as it is indirectly treated at present because no guidance has been cleared FASAB. The only concern is whether the removal of the specific, identification of cleared by the FASAB could result in increased application in practice in the absence of authoritative literature that indicates otherwise. For example, with the AICPA’s historical significance in providing accounting guidance, their literature could be looked to more broadly and frequently. However, staff does not believe this would happen because ITC comments also suggested removing this category from the federal GAAP hierarchy. For example, a respondent explained that they were not aware of any such AICPA Audit and Accounting Guides, or how a person could conclusively determine whether or not there is any such applicable guidance, or where to look to determine whether the FASAB has objected to them or not. A respondent also explained that the intended purpose of AICPA audit guides is to provide audit guidance - not financial reporting guidance and the guides represent a private source of guidance that can only be accessed for a subscription fee.

Staff believes that the federal financial reporting environment has sufficiently evolved to allow for federal standards setting to be with the FASAB and recommends that AICPA pronouncements be removed from the federal GAAP hierarchy. Instead, AICPA pronouncements should be included in other accounting literature.²² Further, if there’s something in the AICPA guides that the Board considers necessary for federal financial

²² As mentioned, staff believes the notion of including an order of precedence or other guidance about other accounting literature should be explored.

reporting, the Board could still incorporate as appropriate through existing FASAB vehicles.

Practices that are widely recognized and prevalent in the federal government

In paragraph 5 of SFFAS 34, the existing GAAP hierarchy places “practices that are widely recognized and prevalent in the government” as category (d) guidance. Staff notes that the authoritative categorization of widely recognized and prevalent practice dates back to APB Statement 4.

When considering other standard setters, staff notes that when FASB and GASB reassessed their respective GAAP hierarchies, they removed widely recognized and prevalent practices from their GAAP hierarchies. Specifically, GASB and FASB placed widely recognized and prevalent practice as a nonauthoritative source.

The IASB uses a slightly different approach but also does not include widely recognized and prevalent practices. When an IFRS Standard or IFRS Interpretation specifically applies to a transaction, other event or condition, an entity must apply that Standard. In the absence of an IFRS Standard that specifically applies to a transaction, other event or condition, management uses its judgement in developing and applying an accounting policy that results in information that is relevant and reliable. Specifically, IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides for the selection and application of accounting principles in the absence of an IFRS. Specifically, paragraphs 10-12 provide:

10. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

- (a) relevant to the economic decision-making needs of users; and
- (b) reliable, in that the financial statements:
 - (i) represent faithfully the financial position, financial performance and cash flows of the entity;
 - (ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
 - (iii) are neutral, i.e. free from bias;
 - (iv) are prudent; and
 - (v) are complete in all material respects.

11. In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

- (a) the requirements in IFRSs dealing with similar and related issues; and
- (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Conceptual Framework for Financial Reporting (Conceptual Framework).

12. In making the judgement described in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that

use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11.

Staff notes that ITC respondents were clear that they believe the Board should reexamine “Practices that are widely recognized and prevalent in the federal government” to determine the intent. Stakeholders noted that given the breadth of activities and historical practices in the federal government, there could be several different methods that are “widely recognized and prevalent” which could lead to a lack of standardization and clarity. The longstanding complex issue more specifically relates to the location of administrative directives’ placement within the hierarchy (such as those from OMB, GAO, and Treasury). Stakeholders believe that being silent about universally applicable administrative directives creates an opportunity for different interpretations of the authoritative weight of the administrative directives. Stakeholders suggested that “Practices that are widely recognized and prevalent in the federal government” should either be removed from the federal GAAP hierarchy or significantly clarified. Significantly clarified would mean the Board would need to identify specific directives that should be included in the federal GAAP hierarchy. Given the importance and prominence of OMB and Treasury administrative directives and guidance, it is necessary to directly address and clarify the role of this guidance in the federal GAAP hierarchy.

When assessing “Practices that are widely recognized and prevalent in the federal government” against the suggested basic characteristics, they do not meet the basic characteristics for inclusion in the federal GAAP hierarchy. Currently, such practices do not go through any of the necessary due process and criteria do not exist to identify when a practice is considered widely recognized and prevalent. Considering that practices widely recognized and prevalent did not meet any of the basic characteristics, it would lead to removing them from the federal GAAP hierarchy.

Staff believes that continuing to include practices widely recognized and prevalent in the federal GAAP hierarchy would continue the uncertainty and questions. Including it in the hierarchy poses problems because it requires a significant amount of judgment to apply. For example, judgment would need to be made on what would need to be considered to qualify a practice as widely recognized and prevalent. Judgment would need to be made on the appropriate number, type, and so forth that would need to be considered to qualify a practice as widely recognized and prevalent.

Staff acknowledges that widely recognized and prevalent practice should be considered when determining an appropriate accounting treatment for a transaction or event that is not specifically addressed by an accounting source in the federal GAAP hierarchy. Staff is concerned that inclusion of practices widely recognized and prevalent practice in the hierarchy may support an accounting treatment that contradicts guidance in the federal GAAP hierarchy. With that said, it would lead to determining that widely recognized and prevalent practices should no longer be part of the federal GAAP hierarchy and should be considered other accounting literature.

However, staff notes there are unique circumstances regarding the widely recognized and prevalent practice area that must be considered further. For example, the MOU states that the Board will not set or propose budget concepts, standards and principles. Based on this, the Board defers to OMB for budgetary matters and has explicitly stated this in SFFAS. For example, in SFFAS 7, paragraphs 78 and 80 (footnotes omitted) state:

78. Recognition and measurement of budgetary resources should be based on budget concepts and definitions contained in OMB Circulars A-11 and A-34. In addition, the reporting entity should provide this information for each of its major budget accounts as supplementary information. Small budget accounts may be aggregated.

80. Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different. To better understand these differences, the reconciliation should explain the relationship between the net cost of operations and net outlays by the entity during the reporting period. The reconciliation should reference the reported “net outlays” and related adjustments as defined by Office of Management and Budget (OMB) Circular A-11: *Preparation, Submission, and Execution of the Budget*.

Considering the language, some may view the Board’s deferral of budget accounting matters to OMB and the explicit reference in SFFAS may indirectly incorporate the directives into the federal GAAP hierarchy or that certain directives would need to be incorporated. Some may believe the notion of removing prevalent and widely used practices from the hierarchy is applied (to OMB Circular A-11), there would be no authoritative guidance or standards related to budgetary transactions.

Another example, it is understood that the Board defers to OMB for form and content for financial statements as stated in SFFAC 2, *Entity and Display*. OMB Circular A-136, *Financial Reporting Requirements*, 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.²³ Although OMB is not a GAAP standard

²³ FASAB staff requested Counsel to provide clarification or an interpretation of what is meant by the language within 31 USC 3515: “The Director of the Office of Management and Budget shall prescribe the form and content of the financial statements of covered executive agencies under this section, consistent with applicable accounting and financial reporting principles, standards, and requirements.” Although more research is planned, Counsel provided some initial thoughts. First, the drafters of the CFO Act would likely have been aware of the model from the private-sector accounting world, where the SEC determines what companies must report and the standards-setter (FASB) determines how they do so. One additional point of comparison is in the CFO Act itself. Specifically, Government Corporations are treated differently from executive agencies and are not subject to OMB’s form-and-content authority. In its place, the CFO Act provided more detail on what had to be in the corporations’ Annual Management Reports, directing that the reports include specific financial statements (statement of financial position, statement of operations, statement of cash flows, and, if applicable, a reconciliation to the budget report of the Government corporation), the report of the auditor of these statements, an assertion on the effectiveness of the entity’s internal controls, and any other comments and information necessary to inform the Congress about the operations and financial condition of the corporation. See 31 U.S.C. § 9106(a)(2). These items provide “content” requirements that might be analogous to what the drafters would expect OMB to produce.

setter, they play a critical role in fulfilling the CFO Act, including the authority to prescribe form and content of federal entity financial statements.

With these unique situations, the Board must determine the best way to deal with these areas where the existing standards defer to certain administrative directives. For example, some may believe that the best way to address would be determine how specific critical directives could be incorporated into the federal GAAP hierarchy. The Board would need to establish a process for identifying critical directives and incorporate the specific directives into the federal GAAP hierarchy. Alternatively, the Board could incorporate directives through an indirect manner by a general reference about the type of directive or purpose that it fulfills, such as “budgetary accounting.” The biggest challenge with this approach would be determining how to include due process procedures to signify inclusion in the federal GAAP hierarchy. Staff believes including due process would be difficult for all and would require much coordination between FASAB and other organizations.

There is the option of leaving the placement of practices widely recognized and prevalent in the federal GAAP hierarchy as it currently resides. However, keeping the status quo would not be responsive to stakeholders’ concerns. Stakeholders identified this as a concern during due process of SFFAS 34 and those concerns continue today. At a minimum, staff believes that widely recognized and prevalent practices should be characterized in a manner which would preclude widely recognized and prevalent practices being used to support an accounting that contradicts accounting guidance in the federal GAAP hierarchy. For example, language could be to explicitly state the widely recognized and prevalent practices may only be used if they don’t contradict existing standards. Although this would be an improvement, it would not address what constitutes practices that are widely recognized and prevalent

Staff believes that removing widely recognized and prevalent practices from the federal GAAP hierarchy and including it as other accounting literature would be the cleanest fix. By including it as other accounting literature, it would offer the Board more latitude in describing the directives as needed. Staff believes including in other accounting literature offers the Board more opportunity to explain and describe the other accounting literature without complicating the federal GAAP hierarchy. In-line with staff’s suggestion to improve the understanding and use of other accounting literature with additional explanation and an order of precedence and other information, the Board could provide additional detail. With this approach, more could be explained about specific directives that should be considered first or as more influential in other accounting literature, such as the specific directives that are referenced in standards. Their importance could be explained while maintaining that it is separate from the federal GAAP hierarchy. This approach would be consistent with other standard setters by removing widely recognized and prevalent practices from the GAAP hierarchy.

Statements of Federal Financial Accounting Concepts (SFFAC)

Concepts differ from statements of accounting standards. Concepts Statements provide a conceptual framework that is used by the Board. Concepts guide the Board's

development of accounting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives. As explained in the [Preamble to Concepts Statements](#), “the conceptual framework enhances the consistency of standards and serves the public interest by providing structure and direction to federal financial accounting and reporting. The most direct beneficiaries of the FASAB’s concepts statements are the Board itself and preparers and auditors of federal financial reports.”

Although Concepts are included in FASAB’s Handbook, Concepts Statements do not create accounting standards. Concepts are more general than statements on standards and do not contain specific authoritative requirements. Concepts provide general guidance to the Board itself as it deliberates on specific issues. To date, there have been ten Concepts issued, with one being an Omnibus Amendments, so there are nine Concepts in effect.

Paragraph 8 of SFFAS 34 describes concepts as other accounting literature that would normally be more influential than other sources in this category:

8. Other Accounting Literature includes, for example, FASAB Concepts Statements; the pronouncements referred to in category (b) of paragraph 5 when not specifically made applicable to federal reporting entities by the FASAB; pronouncements of other accounting and financial reporting standards-setting bodies, such as the FASB, Governmental Accounting Standards Board, International Accounting Standards Board, and International Public Sector Accounting Standards Board; professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. For example, FASAB Concepts Statements would normally be more influential than other sources in this category.

When assessing Concepts against the basic characteristics for inclusion in the federal GAAP hierarchy, concepts meet all the basic characteristics. Concepts endure a due process very similar to Standards and provide the conceptual framework on which standards are based.

Staff recognizes that it may be appropriate to consider whether the current classification as “other accounting literature” in the existing hierarchy is appropriate. When assessing Concepts against the distinguishing characteristics for the highest-level GAAP, it does not meet the distinguishing characteristic regarding the purpose of the guidance. Considering the intent and the purpose of the Concepts is to guide the Board’s development of standards, it does not appear appropriate to include as the highest-level GAAP.

Another option for consideration is whether Concepts should be placed in a lower level (below the highest level of GAAP) in the federal GAAP hierarchy. When assessing Concepts against the characteristics for lower-level GAAP, it does not meet the

characteristics. Although inclusion would signify their importance and the thorough due process that they are subject to, the purpose of Concepts does not meet the characteristic to provide guidance on applying standards.

Staff believes the inclusion of concepts at any level above other accounting literature would result in potential confusion. Specifically, preparers may use the conceptual framework notion instead of an accounting treatment that may be clearly prescribed in the standards or other pronouncements in the federal GAAP hierarchy. It could be argued that both should result in the same accounting treatment; however, applying the conceptual framework directly to a transaction requires a significant amount of research, professional judgment, and subjectivity than applying the appropriate standards. Staff believes that the significant judgment required to appropriately apply concepts precludes Concepts Statements from being placed in the federal GAAP hierarchy. Further, staff believes the Preamble to Concepts provides a thorough understanding of the role of Concepts. As such, staff believes that the current designation for Concepts as other accounting literature is appropriate.

Staff notes that other standard setters (GASB and FASB) place Concepts in “non-authoritative” literature. Staff notes that ITC feedback suggested that Other Accounting Literature placement outside of the hierarchy should be clarified so there is a better understanding as to when it should be used. Staff believes that along with elaborating that Concepts are more influential, consideration should be given to providing more context around specific concepts that may be more influential. In addition, comments indicated that an order of precedence for other accounting literature maybe helpful. Staff plans to explore this notion further in the analysis of other accounting literature that will be provided in the future.

Staff Recommendation:

Staff’s analysis of each of the sources of accounting guidance in the existing federal GAAP hierarchy against the basic and distinguishing characteristics provides a thorough discussion and a lot of information for the Board to digest. This analysis should assist the Board in determining if the use of the suggested basic characteristics and distinguishing characteristics provide a basis for determining if guidance should be included and the placement in the federal GAAP hierarchy. Staff recommends that this approach be used. Staff is very interested in all feedback and comments on the analysis provided for each of the sources of guidance.

Although the workgroup has begun to develop specific options for a revised federal GAAP hierarchy, staff believed it important to obtain the Board’s feedback on the approach and research thus far.

Questions #2 and #3 for the Board:

2. After considering the assessment of the sources of accounting guidance against the basic and distinguishing characteristics, does the Board agree with the approach? If you do not agree, please explain and provide a preferred approach.
3. Please provide specific feedback and comments regarding staff's assessment of each of the sources assessed: SFFASs, Interpretations, TBs, TRs, SIGs, AICPA Guides, Practices widely recognized and prevalent, and SFFACs.

3. Continued Need for all FASAB Communication Methods

Staff notes in assessing each of FASAB's communication methods against the characteristics, the process identified several things that contribute to the complexity of FASAB's existing GAAP hierarchy and lead to the stakeholder comments about the need to simplify the GAAP hierarchy. As detailed, the purpose of certain communication methods is very similar and appear to overlap that leads to question if all vehicles are needed.

Based on staff's research and discussions, along with the complexity of multiple levels in the hierarchy, there is confusion over the various communication methods or vehicles used. For example, ITC respondents noted that certain levels in the GAAP hierarchy are often ignored, or users may jump from level (a) to (d) without referencing the accounting sources in the other levels. From discussions, it appears that stakeholders currently research guidance included in categories (a) through (d) of the existing GAAP hierarchy and that this research often leads them to the most specific guidance regardless of its category in the GAAP hierarchy. Meaning that users often search a topic broadly within the FASAB Handbook and may not go through the order presented in GAAP hierarchy.

Stakeholders also conveyed that it's confusing when there are two different vehicles that could be used to accomplish the same thing because there is overlap in the purpose for certain vehicles. In these instances, it causes confusion as to whether one vehicle is more important or authoritative than another. Stakeholders also note confusion when another vehicle (other than standards themselves) is allowed to establish new standards.

Staff believes that there is general understanding and agreement among stakeholders regarding the purpose and intent for standards and concepts. The confusion relates to understanding the different purposes and intent for the other FASAB communication methods or vehicles—Interpretations, Technical Bulletins, Technical Releases and Staff Implementation Guidance. This is consistent with the ITC comments and staff research detailed within this paper. It is also consistent with staff's observations and experiences

working on each type of guidance. Staff notes that when considering the appropriate communication method, it is rarely a cut-and-dry decision as to which vehicle should be used.

Considering the stakeholder comments that the hierarchy should be simplified, staff believes the Board should thoughtfully consider each vehicle's purpose critically to determine if all communication methods should continue and/or if the purpose should be clarified. It's important to consider what the ROP provides in determining if the purpose and use overlap, but it is also important to consider how the Board has used the vehicle.

The chart²⁴ below provides what the ROP provides as the purpose for each

FASAB Communication Method	SFFAS 34 level	Purpose from Rules of Procedure
Interpretations	A	Interpretations clarify SFFAS provisions.
Technical Bulletins (TB)	B	Technical Bulletins provide guidance for applying existing FASAB Statements and Interpretations and resolving accounting issues not directly addressed in them by establishing new standards.
Technical Releases (TR)	C	TRs provide guidance for applying existing Statements and Interpretations but may not promulgate new accounting standards.
Staff Implementation Guidance (SIG)	D	SIG provide guidance for applying existing Statements and Interpretations but may not promulgate new accounting standards.

As explained in the analysis of [Interpretations](#), staff believes the use of interpretations fulfills a unique purpose that is not typically provided in other communication methods and should continue to be a communication method used by FASAB. Interpretations fulfill a critical purpose and has allowed the Board to provide needed interpretations and clarifications of standards with necessary explanations. Most often interpretations result from a need or clarification identified by stakeholders after SFFASs have been issued and not one that is apparent during the development of a SFFAS or one that would be considered implementation guidance or guidance on applying the SFFAS. Staff believes

²⁴ See also Attachment 3, Chart of Accounting Guidance in the existing federal GAAP hierarchy.

that the current designation for Interpretations as level A or the highest level should continue.

Staff believes the chart above clearly shows the overlapping purpose among the TB, TR, and SIG vehicles, yet each are currently on different levels in the current GAAP hierarchy. The ROP states that TBs, TRs, and SIG each may be used to provide guidance for applying existing Statements and Interpretations or implementation guidance. TBs may also be used to provide new standards, but the ROP specifically prohibit TRs and SIGs from promulgating new accounting standards. With that exception, the primary difference between these pronouncements is the due process requirements.

As discussed in the assessment of [Technical Releases](#), FASAB's ROP authorizes the Accounting Standards Implementation Committee (ASIC), to issue technical releases related to existing federal accounting standards. The ASIC is a permanent committee that was established to assist in improving federal financial reporting by identifying, developing, and recommending solutions to address accounting issues within the framework of existing GAAP. The ASIC works under the general oversight of the FASAB and is subject to the approval of the FASAB. ASIC policies are specified in their Charter and Policies and procedures. The ASIC Charter and operating procedures specify due process procedures, ASIC voting requirements, and FASAB approval requirements. Staff notes that there are overlaps in the purpose when compared to TBs and SIGS. However, the ASIC is a permanent committee that was established to assist in improving federal financial reporting by identifying, developing, and recommending solutions to address accounting issues within the framework of existing GAAP.

The ASIC only addresses issues specifically referred by FASAB. To date, there have been 23 TRs issued, with one rescinding a previous TR, five TRs amending, updating, or providing conforming amendments to existing TRs which results in 16 TRs currently in effect. Staff notes that most TRs relate to broad implementation guidance of standards. With that said, it appears the Board has often requested that the ASIC to address implementation guidance related to complex new standards. Staff notes that the notion of necessary implementation guidance comes up during due process and is most often identified through comment letters to the exposure draft. Staff believes that TRs fulfill a critical purpose as they have been used to provide for detailed implementation guidance for most complex standards. Staff believes the creation of the ASIC was meant to provide an avenue where the process is similar to that of the board (with a committee approach) but under the oversight and approval of the Board. Further, similar to FASAB's approach, the ASIC projects are led by FASAB staff that often utilize task forces in the development of proposed guidance to ensure widespread input from the community during the development. Staff believes that TRs with the committee approach is necessary for the development of broad implementation guidance and application guidance.

Staff notes that there are many similarities when considering TBs and SIGs. While both are used to provide guidance for applying existing FASAB Statements and Interpretations, TBs may also be used to resolve accounting issues not directly

addressed in them by establishing new standards. Both TBs and SIGs are used to address narrow topic areas where timely guidance is needed. The need for timely guidance is often the driver for selecting the use of TBs and SIGs, so they can address time sensitive areas or new and emerging issues. TBs and SIGs are both typically in question-and-answer format and are staff documents under the oversight of the Board. Both are exposed for a minimum fifteen-day comment period, but both often use longer periods when time permits. Neither document requires a formal vote of the Board, and both are issued if a majority of the members do not object. Another important point is that both TBs and SIGs typically may result from a technical inquiry or other manner that identifies the need for an issue to be addressed timely.

As discussed in the assessment of [Technical Bulletins](#), TBs fall into a gray or hybrid area because they are issued for applying guidance but also may resolve accounting issues by establishing new standards. Staff believes the hybrid purpose of TBs is a separate issue for the Board's consideration in where to place them in the hierarchy²⁵ whereas this discussion relates to the continued need for all the communication methods. Technical Bulletin 2000-1 provides specific guidelines that must be considered when determining if a TB may be used. Specifically, TB 2000-1 provides guardrails as to what may be addressed through a TB, because the intent is to address narrow topics that are time sensitive. To date, FASAB has issued 13 TBs, with the first one defining the purpose, scope and procedures and two providing deferral of a previous TB. Therefore, 10 topics have been issued with guidance that is in effect.

As discussed in the assessment of [Staff Implementation Guidance](#), the staff policy manual provides the guidelines for the development of proposed SIGs. SIGs are typically narrow in scope and often result from a technical inquiry or other request for guidance. When questions (technical inquiries) are considered to have widespread application, FASAB staff considers whether such guidance should be disseminated more broadly through a SIG. There have been three SIGs issued over FASAB's 30 plus years. With the rare use, it leads to questioning if the SIG is a needed communication method and if the purposes could be fulfilled with a TB. When considering the similarities, staff believes eliminating the use of SIGs as a communication method would contribute toward simplicity. Further, when assessing the three topics addressed by SIGs, it appears that the narrow topics could have been addressed through a TB. Staff believes this would be more efficient for staff and the Board as there would not be questions relating to the appropriate vehicle to be used to address narrow, time-sensitive topics.

An important consideration is that staff believes that SIGs (or TBs) may be used more frequently in the future to accommodate the current federal environment and needs of the stakeholders. For example, FASAB staff is currently addressing implementation questions related to SFFAS 64, *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15* through a SIG. In this instance, staff determined that a SIG may be helpful during the training sessions for SFFAS 64 and compiled a list of key

²⁵ As noted, staff believes TBs should be at a level lower than the highest-level GAAP, unless the Board changes the due process to include formal voting by the Board thereby indicating a position on accounting.

questions from training for inclusion in a proposed SIG. Staff believes there may be a need for similar type Q&As as the reexamination of other topics are completed. However, staff believes that these types of documents could be accomplished through a TB considering they are both staff documents under the oversight and approval of the Board and both are used for time sensitive issues.

Staff Recommendation:

Staff recommends that the Board consider discontinuing the use of SIGs as a FASAB communication method. Staff recommends that TBs be used for all future narrow, time-sensitive topics. If the Board agrees, staff will provide the Board with a discussion of how this could be implemented, such as the most efficient manner to continue including existing SIGs in the hierarchy and any other changes that may be necessary.

Question #4 for the Board:

4. Does the Board agree with the staff recommendation that the Board consider discontinuing the use of SIGs and that TBs would be used for all future narrow, time-sensitive topics? If you do not agree, please explain and provide a preferred approach.

Project Timeline

GAAP Reexam

October 6, 2025

Attachment 2

Project Timeline and Key Decisions				
GAAP Hierarchy Reexamination				
Phase	Approved Dates	Description	Activities and Key Decisions by Board Meeting	Date Phase Completed
Initiate Project	March 2025 –April 2025	Develop project plan and initial research necessary for development of the plan.	April 2025 Board Meeting: <ul style="list-style-type: none"> Key decision – Board approves project plan and use of a working group 	May 2025
Research Phase	May 2025 – October 2025	Perform research and work with the GAAP hierarchy working group.	May 2025 <ul style="list-style-type: none"> Staff coordinated and established a FASAB GAAP hierarchy working group. June 2025: <ul style="list-style-type: none"> First working group meeting was held. The meeting primarily focused on background information and objectives of the project. July 2025- August 2025: <ul style="list-style-type: none"> Exchanged information and drafts electronically with working group to develop characteristics for the highest-level GAAP. September 2025: <ul style="list-style-type: none"> Working group meeting to discuss characteristics and consideration of the accounting sources against characteristics. 	

Guidance	Current Level	FASAB HB	Purpose/Use (from Rules of Procedure)	Due Process Requirements (from Rules of Procedure)	Issued by
Statements of Federal Financial Accounting Standards (SFFAS)	A	Yes	Statements establish authoritative accounting standards at the highest level in the GAAP hierarchy. Typically, a Statement includes definitions of terms, recognition, measurement, disclosure, supplementary information requirements and an effective date including transition guidance such as whether early implementation is permitted. Members may present dissents.	Following an affirmative vote by at least a two-thirds majority of the members , each SFFAS is submitted to the Secretary of the Treasury, the Director of OMB, and the Comptroller General. If, within 90 days after its submission, neither the Director of OMB nor the Comptroller General objects to the SFFAS, then it shall be published by FASAB. An additional 90 day review is possible if requested by Director of OMB or the Comptroller General. If there is an objection that, in accordance with the MOU, prevents its issuance then the Statement is returned to the Board for further consideration. An announcement of the outcome - either issuance or return to the Board - is published in the Federal Register. An objection is a reportable event. In addition, the CFO Act (Public Law No: 101-576) requires capital accounting standards to be reported to the Congress and that a period of 45 days of continuous session of the Congress be allowed for review prior to issuance	FASAB
Interpretations	A	Yes	Interpretations clarify SFFAS provisions.	Following at least a majority of the members , Interpretations are submitted to the members representing Treasury, OMB, or GAO. If, within 45 days after its submission, none of these members object, then it shall be published by FASAB. If there is an objection that, in accordance with the MOU, prevents its issuance then the Statement is returned to the Board for further consideration. An announcement of the outcome - either issuance or return to the Board - is published in the Federal Register. An objection is a reportable event.	FASAB
Technical Bulletins (TB)	B	Yes	Technical Bulletins provide guidance for applying existing FASAB Statements and Interpretations and resolving accounting issues not directly addressed in them by establishing new standards.	<p>Due process procedures, content specifications, and voting requirements are found in Technical Bulletin 2000-1. A Bulletin will not be issued if a majority of the FASAB members object either to the guidance in it or to communicating that guidance in a Technical Bulletin.</p> <p>NOTE: TB 2000-1 explains: To provide timely guidance within the context of the standard FASAB procedures, Technical Bulletin procedures provide for both due process (more limited in scope and within a tighter minimum time frame than provided for Statements and Interpretations) and review by FASAB members.</p> <p>The following kinds of guidance may be provided in a Technical Bulletin: a. Guidance to clarify, explain, or elaborate on an underlying Statement or Interpretation, b. Guidance to address areas not directly covered by existing Statements or Interpretations, c. Interim guidance on problems in applying an existing Statement or Interpretation currently under</p>	FASAB Staff

Attachment 3- Chart of Accounting Guidance in the existing federal GAAP Hierarchy

Guidance	Current Level	FASAB HB	Purpose/Use (from Rules of Procedure)	Due Process Requirements (from Rules of Procedure)	Issued by
				<p>study by the FASAB, or d. If applicable, guidance for applying FASB or GASB standards to federal activities</p> <p>Generally, a Technical Bulletin can provide guidance if the problem can be resolved within the following guidelines: a. The guidance is not expected to cause a major change in accounting practice b. The administrative cost involved in implementing the guidance is not expected to be significant to most affected entities. c. The guidance does not conflict with a broad fundamental principle or create a novel accounting practice.</p>	
Technical Releases (TR)	C	Yes	TRs provide guidance for applying existing Statements and Interpretations but may not promulgate new accounting standards.	The ASIC Charter and operating procedures specify due process procedures, ASIC voting requirements, and FASAB approval requirements. All proposed technical releases are ultimately submitted to the FASAB. If, within 45 days after submission, either at least a majority of the FASAB or a member representing Treasury, OMB or GAO objects to the proposed technical release, then it shall be returned to the ASIC for further consideration. If, within 45 days after its submission, neither at least a majority of FASAB nor a member representing Treasury, OMB or GAO objects to the proposed technical release, then it shall become final.	ASIC
Staff Implementation Guidance (SIG)	D	Yes	SIG provide guidance for applying existing Statements and Interpretations but may not promulgate new accounting standards.	The staff policy manual provides guidelines for the development of proposed implementation guidance. The executive director and the chairperson receive the draft SIG for review and must concur with any staff proposed guidance. This review is followed by a public meeting to discuss the proposal and a fifteen-day public comment period. Following the comment period, a final SIG is prepared and provided to the full Board for a 15-day review period. If a majority of the Board does not object , the SIG is signed by the executive director and issued.	FASAB Staff
AICPA Industry Audit and Accounting Guides	B	NO		If specifically made applicable to federal reporting entities by the AICPA and cleared by the FASAB	AICPA
Practices that are widely recognized and prevalent	D	NO			Various

Attachment 3- Chart of Accounting Guidance in the existing federal GAAP Hierarchy

Guidance	Current Level	FASAB HB	Purpose/Use (from Rules of Procedure)	Due Process Requirements (from Rules of Procedure)	Issued by
in the federal government					
Statements of Federal Financial Accounting Concepts (SFFAC)	OA	Yes	Statements on concepts are more general than statements of standards and do not contain specific recommendations that become authoritative requirements for federal agencies and auditors. Instead, statements on concepts provide general guidance to the Board itself as it deliberates on specific issues. They also help others to understand federal accounting and financial reports.	Following an affirmative vote by at least a two-thirds majority of the members , SFFAC are submitted to the Secretary of the Treasury, the Director of OMB, and the Comptroller General. If, within 90 days after its submission, neither the Director of OMB nor the Comptroller General objects to the concepts, then it shall be announced in the Federal Register and published by FASAB. An additional 90 day review is possible if requested by Director of OMB or the Comptroller General. If there is an objection that, in accordance with the MOU, prevents its issuance then the Statement is returned to the Board for further consideration. An announcement of this action is published in the Federal Register. An objection is a reportable event.	FASAB