

Federal GAAP Hierarchy Workgroup Meeting
May 21, 2026, 9:00 a.m.
Minutes

Ms. Batchelor kicked off the meeting with an introduction of a new workgroup member from an entity that applies FASB to ensure this perspective is included. She also provided a brief history of the project by explaining that the Board agreed with working group suggested approach that included establishing two basic characteristics (exposed for public comment with the Board's consideration of comments and approved by the Board) for inclusion in the federal GAAP hierarchy. Guidance that meets the basic characteristics for inclusion in the hierarchy should then be assessed against the distinguishing characteristics of the highest-level GAAP and lower-level GAAP to determine placement. The distinguishing characteristics focus on the intended purpose of the guidance and whether a document is formally voted on and issued by the Board versus under the oversight of the Board.

Based on analysis of these distinguishing characteristics, Statements of Federal Financial Accounting Standards (SFFASs or Statements) and Interpretations would continue to be the highest level of GAAP. Technical Bulletins (TBs), Technical Releases (TRs), and Staff Implementation Guides (SIGs) would tentatively be a lower level in the hierarchy. AICPA Guides and practices widely recognized and prevalent would be included in Other Accounting Literature (OAL).

Ms. Batchelor explained the briefing materials included a summary of the research and considerations regarding OAL in a staff paper- *Other Accounting Literature* and two Attachments--*Inventory of Critical Directives and Comparison of OAL—Other Standard-Setters*. The meeting focused on the discussion questions presented on the agenda.

- **In reviewing staff's summary of other standard-setters approach to OAL and the Attachment *Comparison of OAL—Other Standard-Setters*, are there any questions or comments for discussion? For example, is there something specific from one of the other standard-setters guidance that you believe important to consider?**

The working group did not have any additional comments on the other standard-setters' approach to OAL.

- **In reviewing the Attachment *Inventory of Critical Directives*, are there any questions or comments for discussion? For example, is there something missing that should be added? Are there any concerns with the items included or staff commentary?**

A member noted that the Council of Inspectors General on Integrity and Efficiency (CIGIE) develops and issues guidance to help federal Office of Inspector General (OIG) offices conduct annual compliance reviews under the Payment Integrity Information Act of 2019 (PIIA).

Another member commented the directives included both accounting and audit guidance and the member was concerned about potential scope creeping into the audit area. Ms. Batchelor agreed that the inventory of directives contained audit type guidance, but she wanted to prepare a comprehensive list of directives prepared by the central sponsor agencies. She agreed that the audit guidance would not be an accounting source that a federal reporting entity would select as a source of accounting guidance, but it is

something that is considered and applies to the financial management community. She believed the considering the broad financial management directives during the research provides an understanding of the types of guidance that agencies must adhere to and connections to statutory requirements.

It was noted that GAO may have more comments on the discussion of Title 2, "Accounting," of the *GAO Policy and Procedures Manual for Guidance of Federal Agencies* that was included in the staff paper.

- **Do you agree with staff's discussion of Authoritative / Nonauthoritative and that continuing use of term OAL is best suited for the federal government environment?**

The working group agreed that the term OAL should be continued in the federal government environment because referring to administrative directives as nonauthoritative would not be suited for the federal government environment.

- **Do you agree that including language that conveys OAL 'does not conflict with or contradict authoritative GAAP' should be added because it adds clarity and understanding to the use of OAL?**

The working group agreed that including language that OAL 'does not conflict with or contradict authoritative GAAP' would be helpful in the discussion of OAL. However, the working group noted that there have been instances where directives are not consistent with GAAP. Ms. Batchelor agreed and explained that there have been certain FASAB projects that resulted because of inconsistencies. Including the phrase would be clear in that fact and help ensure that OAL guidance selected is consistent with GAAP.

- **Do you agree that Concepts Statements should be considered in addition to relevance, specificity, and the authority of the author when evaluating the appropriateness of OAL?**

The working group agreed that Concepts Statements should no longer be considered more influential but instead should be considered in the assessment (in addition to relevance, specificity, and the authority of the author) when evaluating the appropriateness of OAL.

- **Do you agree that the qualitative characteristics need not be directly included in the evaluation of the appropriateness of OAL?**

The working group agreed that the qualitative characteristics need not be directly included in the evaluation of the appropriateness of OAL. The working group noted that considering the working group decision in the previous question (that Concepts should be considered in evaluating the appropriateness of OAL), the qualitative characteristics would be considered indirectly because part of the assessment would include considering consistency with the Concepts.

A member noted that the qualitative characteristics are very important in the consideration of the most appropriate accounting source when FASAB is silent on a topic. The member explained that there could be potential scenarios where FASAB is silent and agencies find contradictory guidance between other standard setters. The

member explained that considering conceptual guidance, such as consistency, comparability, timeliness, and understandability, are important and there could be some value in looking into that as the project progresses.

- **Do you agree that administrative directives should be added as a source of OAL? What do you believe is the best way to incorporate?**

The working group focused the majority of the meeting discussing the best way to address administrative directives. Although the working group agreed with the approach that included establishing the basic characteristics for inclusion in the federal GAAP hierarchy, there is concern with certain directives being considered OAL. Specifically, FASAB's 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 various SFFASs.

Certain auditors believed that accounting guidance on budgetary accounting should be included in the GAAP hierarchy instead of as part of OAL. The auditor's report includes that financial statements are present fairly (in all material respects) in accordance with U.S. generally accepted accounting principles. The financial statements include the statement of budgetary resources, so there is concern that the budgetary guidance (OMB A-11) is not part of the federal GAAP hierarchy.

Ms. Batchelor explained that she understood the concern, and believes it is a valid point that should be considered further. Ms. Batchelor noted that the working group had developed the basic characteristics for inclusion in the GAAP hierarchy. The budgetary guidance does not go through any sort of due process and it is not approved by the Board, so it is hard to reconcile how it would be part of the hierarchy.

Ms. Batchelor offered that there may be differences in understanding of the federal GAAP hierarchy, how it is applied, and the relationship of OAL. Ms. Batchelor explained that she believes that OAL is separate from GAAP literature in the hierarchy not only because it does not meet the basic characteristics established but also because OAL does not establish GAAP and cannot amend FASAB literature. In SFFAS 34, guidance provided on applying the hierarchy introduces OAL as a source of guidance that may be relied upon in the absence of accounting guidance in the hierarchy and assists in understanding how it can be considered when preparing general purpose financial reports *in conformity with GAAP*. Although OAL may not be part of the GAAP literature and only may be relied upon in the absence of a FASAB pronouncement, proper application of the hierarchy may result in selecting an OAL source that may be relied upon when preparing financial statements that would be considered in conformity with GAAP.

Ms. Batchelor explained that GASB discussed a similar type concern with moving practices that are widely recognized and prevalent in state and local government because certain stakeholders believed it would result in gaps in the authoritative literature. GASB explained in their basis for conclusions that "events that are not addressed in authoritative literature, such practices—even when classified as nonauthoritative—can continue to inform the selection of accounting treatments. Furthermore, regardless of the classification of such practices, the appropriateness of the selection of such practices as the basis for an accounting treatment would be a consideration in situations in which Category A or Category B literature is not relevant."

Ms. Batchelor noted that the auditor concerns would need to be researched further. She explained that consistent with ITC comments received, she believes the discussion of the application of the hierarchy and the relationship of OAL needs to be clarified.

A member explained that FASAB is unique and different from other standard setters because they issue standards for one organization, the federal government. The role of OMB and Treasury is unique because they issue guidance to lead the financial reporting of the federal government. OMB and Treasury serve to coordinate financial management and ensure consistent, comparable financial reporting across the federal government and this is done through administrative directives based on statutory requirements.

The working group agreed that statutory requirements are a very important consideration, though most requirements probably go beyond what is necessary for GAAP. The working group agreed that further consideration and elaboration on how statutory level guidance may be more influential should be considered. Agencies are required to follow the guidance, and what FASAB does in hierarchy does not change that fact. A member suggested considering how the SEC requirements fit in with the FASB hierarchy because there are parallels.

The working group discussed other potential ways to address administrative directives that included:

- A separate budgetary accounting hierarchy or some mechanism to acknowledge OMB A-11
- Adding a level between the GAAP hierarchy and OAL that would address statutory guidance

While all the suggestions are reasonable and should be considered further, the working group noted that adding new levels would possibly result in a complex multi-level approach, similar to FASAB's current hierarchy.

The working group also discussed that there would be a need to define administrative directives and ensure guardrails are included so that they don't get too broad. The working group discussed that the budgetary area is the most critical but also noted that form and content is also important.

The working group noted that there are several challenges, but the reexamination offers the opportunity to address the longstanding issues.

- **Do you agree that improving the principle for evaluating the appropriateness of OAL should be improved rather than establishing an order of precedence for OAL? Do you agree that the 'extent of its use in practice' would be helpful? Are there any other factors that should be considered?**

The working group agreed that adding 'extent of its use in practice' would be helpful to ensure practices widely recognized and prevalent in the federal government is provided consideration.

- **Are there any other observations or points that should be considered as the Board reexamines OAL?**

No other points were offered.