

★ CHAPTER 8 ★

HIERARCHY OF ACCOUNTING STANDARDS0801 OVERVIEW

080101. To comply with the “Chief Financial Officers (CFO) Act” of 1990, as amended, federal financial managers, accountants and auditors need to apply new accounting concepts and standards. These concepts and standards have evolved from recommendations of the Federal Accounting Standards Advisory Board (FASAB). The FASAB was established in October 1990 by the Director of the Office of Management and Budget (OMB); the Secretary of the Treasury; and the Comptroller General, General Accounting Office to consider and recommend accounting principles for the federal government. The nine member Board is composed of representatives from the three principals (OMB, Treasury and GAO), one representative from the Congressional Budget Office, one representative from the Department of Defense (DoD)/international agencies, one representative from civilian agencies and three nonfederal representatives. When the Board’s principals (OMB, Treasury and GAO) adopt the Board’s recommendations, they are published as Statements of Federal Financial Accounting Standards. These Statements of Federal Financial Accounting Standards are the body of standards that are considered, in effect, federal generally accepted accounting principles, or Federal GAAP.

080102. The FASAB recommends accounting standards after considering the financial and budgetary information needs of the Congress, executive agencies, other users of federal financial information and comments from the public. The OMB, the Department of Treasury, and the General Accounting Office (GAO) then decide whether to adopt the recommended standards; if they do, the standards are published by the OMB and the GAO and become effective as Statements of Federal Financial Accounting Standards.

080103. A listing of approved Statements of Federal Financial Accounting Standards (SFFASs) is at Appendix A of this chapter. The SFFASs also can be found, electronically, at the following Internet address:
<http://www.financenet.gov/financenet/fed/fasab/codifica.htm>.

0802 PURPOSE

This chapter sets forth the hierarchy of accounting principles and standards that shall be followed by federal agencies, including the DoD. The purpose of these principles and standards is to improve the usefulness of the federal financial reports. These principles and standards provide a frame of reference for resolving accounting issues and cover most transactions.

0803 GENERAL

080301. Statements of Federal Financial Accounting Standards. Approved Statements of Federal Financial Accounting Standards comprise federal generally accepted accounting principles and shall be followed by all federal agencies, including each DoD Component, in reporting under the “Government Management Reform Act” (GMRA) of 1994. Accordingly, the DoD Components shall adhere to the hierarchy of federal generally accepted accounting principles in the order of precedence listed below in paragraphs A through G. A listing of the hierarchy also is at Appendix B of this chapter.

A. The individual standards agreed to by the Director of the OMB, the Secretary of the Treasury, and the Comptroller General, published by the OMB and the General Accounting Office (GAO). The standards may be found, electronically, at the following Internet address: <http://www.financenet.gov/financenet/fed/fasab/codifica.htm>. Each specific standard also is discussed in applicable sections throughout the “DoD Financial Management Regulation.”

B. Interpretations related to the Statements of Federal Financial Accounting Standards (SFFASs) issued by the OMB in accordance with the procedures outlined in the OMB Circular A-134, “Financial Accounting Principles and Standards.” The OMB Circulars can be found, electronically, at the following Internet address: <http://www.whitehouse.gov/WH/EOP/OMB/html/ombhome.html>.

1. To ensure the consistent application of SFFASs throughout the Department, the Directorate for Accounting Policy, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), shall be contacted when clarification, technical guidance, implementation guidance or other information regarding SFFASs is needed.

2. Any requests--whether informal or formal--addressed to the FASAB or the Accounting and Auditing Policy Committee for an interpretation, clarification, technical guidance, implementation guidance or other information regarding the SFFASs shall be submitted through the Directorate for Accounting Policy, OUSD(C).

C. Requirements contained in the OMB’s Form and Content Bulletin in effect for the period covered by the financial statements.

D. Accounting principles published by other authoritative standard-setting bodies and authoritative sources if the use of such accounting principles improves the meaningfulness of the financial statements.

E. United States Government Standard General Ledger (USGSGL) published by the Department of the Treasury, Financial Management Service, through its Treasury Financial Manual.

F. Policies and guidance published in the “DoD Financial Management Regulation.” At Internet address <http://www.dtic.mil/comptroller/fmr/> this Regulation can be found electronically.

G. Interim policies and guidance issued by Office of the Under Secretary of Defense (Comptroller) through various memoranda. These interim policies may be found, electronically, at the following Internet address: <http://www.dtic.mil/comptroller/fmr/>. Such interim guidance subsequently will be incorporated into the “DoD Financial Management Regulation once it is finalized.”