

Circular A-134

May 20, 1993

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Financial Accounting Principles and Standards

1. **Purpose.** This Circular establishes the policies and procedures for approving and publishing financial accounting principles and standards. It also establishes the policies to be followed by Executive Branch agencies and OMB in seeking and providing interpretations and other advice related to the standards.
2. **Background.** The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States ("the Principals") established the Federal Accounting Standards Advisory Board (FASAB) in October 1990 by a memorandum of understanding (MOU). The role of FASAB is to deliberate upon and make recommendations to the Principals on accounting principles and standards for the Federal Government and its agencies. The MOU states that if the Principals agree with the recommendations, the Comptroller General and the Director of OMB will publish the accounting principles and standards.
3. **Coverage.** The provisions of this Circular apply to all Executive Branch departments and agencies.
4. **Definitions.** As used in this Circular:
 - a. **Executive agency** ("agency") means any executive branch department, independent commission, board, bureau, office, agency, or other establishment of the Federal Government, including independent regulatory commissions and boards. It does not include federally-owned or controlled corporations that are preparing financial statements in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board, or the legislative or judicial branches of the Federal Government.
 - b. **Accounting standards or principles** are those conventions, rules, and procedures necessary to define acceptable accounting practice at a particular time. Accounting standards include broad guidelines of general application and may also include detailed practices and procedures.

c. **Interpretation of Federal Financial Accounting Standards** is a document of narrow scope that provides clarifications of original meaning, additional definitions, or other guidance pertaining to an existing Statement of Federal Financial Accounting Standards (SFFAS).

5. **Policy.**

- a. **FASAB Recommendations.** The Director of OMB will review each statement of accounting principles, standards, or concepts recommended by FASAB and decide upon the appropriateness of the statement and its desirability for the Federal Government. If a recommended statement of accounting principles or standards is agreed to by the Director, the Secretary of the Treasury, and the Comptroller General, the Director will issue a SFFAS, signed by the Director. Each SFFAS, or a notice of its availability, will be published in the **Federal Register** and distributed throughout the Federal Government.

b. **Status of the SFFASs.** SFFASs shall be considered generally accepted accounting principles (GAAP) for Federal agencies. Agencies shall apply the SFFASs in preparing financial statements in accordance with the requirements of the Chief Financial Officers Act of 1990. Auditors shall consider SFFASs as authoritative references when auditing financial statements.

c. **Interpretations of the SFFASs.** Agencies and individuals desiring guidance relative to the standards shall request such guidance from OMB, to the attention of the Office of Federal Financial Management. OMB will respond to the request by providing technical assistance, unless it decides that the response should be an Interpretation of Federal Financial Accounting Standards. In that event, OMB will provide written copies of the request to the Comptroller General and the Secretary of the Treasury; examine, as appropriate, applicable literature and consult with knowledgeable persons; draft an Interpretation of Federal Financial Accounting Standards; consistent with the intent of the MOU, obtain the consensus of Treasury and GAO on the interpretation; and publish the Interpretation of Federal Financial Accounting Standards.

Interpretations of Federal Financial Accounting Standards will be signed by the Director or Deputy Director for Management, acting in the capacity of chief official responsible for financial management in the United States Government. Also, the Comptroller General and Secretary of the Treasury may publish a response.

d. **Applicability to Budget Execution.** The SFFASs shall have no effect on the manner in which agencies budget for, monitor and control the expenditure of budgetary resources. Those requirements are defined in OMB Circulars A-11 and A-34 and other OMB documents.

e. **Other Directives.** OMB may, from time to time, issue other instructions to the agencies regarding accounting and/or financial reporting.

6. **Inquiries.** For information concerning this Circular, contact the Financial Standards and Reporting Branch, OFFM, telephone 202-395-3993.

Leon E. Panetta

Director