

What are Generally Accepted Accounting Principles?

The Generally Accepted Accounting Principles (most often referred to as GAAP) are a collection of commonly followed accounting rules and standards for financial reporting in the United States. An overview of the 10 principles which make up the GAAP framework are summarized below.

- ◆ **Principle of regularity:** Accounting procedures follow established rules and regulations
- ◆ **Principle of consistency:** Accounting practices are constant across reports
- ◆ **Principle of sincerity:** Accounting is accurate and truthful
- ◆ **Principle of permanence of methods:** Accounting practices are constant across financial periods
- ◆ **Principle of non-compensation:** All aspects of an organization's performance, whether positive or negative, are fully reported with no prospect of debt compensation
- ◆ **Principle of prudence:** Accounting entries are timely and realistic
- ◆ **Principle of continuity:** Short-term and long-term classifications of financial information are based on the idea the entity will remain in business
- ◆ **Principle of periodicity:** Accounting periods are regular, routine, and consistent
- ◆ **Principle of materiality:** Assets are valued at cost and all financial reports are based on truthful information
- ◆ **Principle of utmost good faith:** Every person involved in the accounting process is acting honestly

Why follow GAAP?

GAAP is followed to standardize accounting practices. Following GAAP ensures financial information is consistently and accurately reported. It is an accounting practice required by for profits, not-for-profits, and government entities.

What are some topics to include in a GAAP policy?

- ◆ What accounting methods, at a minimum, have to be in place to satisfy requirements set by federal, tribal, or state laws or by regulations and guidelines such as GAAP?
- ◆ What additional accounting methods need to be put in place to meet government accounting standards such as the Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB), whichever is applicable? [See the OVC TFMC Basis of Accounting Guide Sheet.](#)

What are some procedural issues to be considered in a GAAP policy?

- ◆ What are the end of the month procedures to ensure GAAP compliance?
- ◆ What are the end of the [fiscal year](#) procedures to ensure GAAP compliance?
- ◆ How is GAAP monitored internally and by whom?

Resources

- ◆ OVC TFMC Basis of Accounting Guide Sheet



The **OVC Tribal Financial Management Center (OVC TFMC)** provides **training, technical assistance, and resources** to support American Indian and Alaska Native communities as they successfully manage the financial aspects of their federal awards. OVC TFMC also offers support via our Virtual Support Center (VSC) to Office for Victims of Crime (OVC) grantees and those seeking federal funding from OVC for the first time. **Email questions or requests for grant financial management technical assistance to TFMC@OVCTFMC.org** or call **703.462.6900**. Visit OVCTFMC.org for additional resources and information.

Feedback Requested

OVC TFMC will continually work to provide resources to support grantees as they successfully manage their OVC financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to Evaluation@OVCTFMC.org.

This product was supported by contract number GS-00F-010CA, awarded by the Office for Victims of Crime, Office of Justice Programs, U.S. Department of Justice. The opinions, findings, and conclusions or recommendations expressed in this product are those of the contributors and do not necessarily represent the official position or policies of the U.S. Department of Justice.

This resource has been carefully prepared by the OVC Tribal Financial Management Center (TFMC) for general financial management informational purposes only. This resource does not constitute legal, accounting, tax, or other professional advice. While OVC TFMC makes every effort to update content on a regular basis, we recognize each grantee's unique operating environment. OVC TFMC recommends consultation with independent advisors as well as review of the most recent versions of the [DOJ Grants Financial Guide](#) and the [OMB Uniform Guidance](#) when making any decisions about your award, requirements, or individual circumstances.