Department of Commerce

Significant and Unusual Transactions Policy

I. Purpose:

This policy establishes requirements for identifying, analyzing, documenting, escalating, and reporting significant and unusual transactions to ensure accurate financial reporting, effective internal controls, and compliance with applicable federal accounting standards and financial reporting guidance.

II. Scope:

This policy applies to all bureaus and offices involved in accounting, financial reporting, interagency agreements, and transactions involving non-routine, complex, or atypical arrangements.

III. Definition of Significant and Unusual Transactions:

A transaction is considered significant and unusual if it meets one or more of the following criteria:

- Material to the financial statements or a significant line item;
- Non-routine or novel in nature;
- Involves non-federal securities, warrants, equity interests, or derivative-like features;

  For purposes of this policy, a derivative is a financial instrument whose value is based on an underlying asset, rate, index, or other variable. From an accounting standards perspective, a contract is generally considered a derivative if it (1) has an underlying and a notional amount or payment provision, (2) requires little or no initial investment, and (3) is net settled or can be readily settled net. Common types of derivatives include forwards, futures, options, and swaps.

- Requires significant judgment or interpretation of accounting or reporting standards; or
- Involves complex or atypical arrangements with the trading partner.

IV. Identification and Escalation Requirements:

Bureaus must assess transactions at initiation and throughout execution to determine whether they meet the criteria for significant and unusual transactions.

Transactions meeting one or more criteria must be escalated to the Department's Office of Financial Management in a timely manner prior to recognition in the financial statements and submission through the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

Identification and escalation decisions must be documented contemporaneously, including the rationale for determination.

V. Required Analysis and Documentation:

For all significant and unusual transactions, the bureau finance office must prepare a written accounting analysis that includes:

- A description of the transaction and its purpose;
- Identification of applicable authoritative guidance;
- Analysis of accounting treatment, classification, and financial reporting presentation;
- Analysis of risks to financial reporting and internal control;
- Consideration of alternative treatments, where applicable; and
- Clear documentation of management's conclusions and judgment.

The analysis must be approved by the applicable Chief Financial Officer(s) of the Bureau Finance Office(s) and provided to the Office of Financial Management for review and final approval prior to financial statement reporting and GTAS submission.

VI. Specialist Consultation:

Consultation with internal or external specialists is required when significant and unusual transactions involve:

- Fair value determinations or valuation techniques;
- Market-based assumptions or observable market inputs;
- Novel or complex financial instruments; or
- Significant judgment related to financial statement presentation or classification.

Specialist consultations may include internal or external subject-matter experts, valuation specialists, the Office of Management and Budget, the Department of the Treasury, the Federal Accounting Standards Advisory Board, or other authoritative bodies, as appropriate. The nature and outcome of consultations must be documented.

The Bureau Finance Office responsible for the transaction shall coordinate the specialist consultation and keep the Office of Financial Management informed throughout the process.

VII. Financial Reporting Review and Approval:

Enhanced financial reporting review procedures must be applied to all significant and unusual transactions. Enhanced review procedures shall include independent review by a senior financial reporting official not directly involved in preparation of the analysis.

Reviewers must explicitly evaluate classification, measurement, and financial statement presentation, including financial statement considerations where applicable.

Final approval must document that identified risks were considered and appropriately addressed.

VIII. Interagency Transactions:

For significant and unusual interagency transactions:

- The underlying bureau or program office must consult with the applicable Bureau Finance Office if there will be payment or transfer of funds between the Department of Commerce and another federal entity. The Bureau Finance Office will need to understand the transaction and determine how it should be properly accounted for.
- Required supporting documentation and timelines must be clearly defined.
- Delays or deviations in documentation must be escalated to the Bureau Finance Office for resolution.
- Accounting/Financial Reporting POCs from the other Agency should be documented and the Bureau Finance Office responsible for the transaction should coordinate with the trading partner on the accounting aspects of the transaction prior to execution or transfer of funds.

IX. Roles and Responsibilities:

- Program Offices: Notify Bureau Finance Office upon initiation of non-routine agreements or funding arrangements.
- Bureau Finance Office: Identify and document significant and unusual transactions; prepare required analyses; coordinate supporting documentation; coordinate specialist consultation.
- Office of Financial Management: Provide oversight; review analyses; ensure compliance with this policy and resolve accounting determination disputes.

X. Effective Date and Review:

This policy is effective upon issuance and will be reviewed and updated as necessary.