United States Department of Agriculture

Office of the Chief Financial Officer

Associate Chief Financial Officer – Shared Services

New Orleans, LA. 70129

Bulletin: OCFO 25-02

Date: May 27, 2025

To: All Agencies and Staff Offices

Subject: Treaties and Other International Agreements

PURPOSE

The purpose of this bulletin is to prescribe policies and procedures for a comprehensive review and reporting of treaties and other international agreements.

BACKGROUND

Treaties and other international agreements may create contingencies requiring recognition (as a liability and expense) or disclosure in the financial statements. As such, all federal entities should consider treaties and other international agreements in the analysis and preparation of the entities' annual financial statements.

Treaties and other international agreements are written agreements between the U.S. and other sovereign states, or between the U.S. and international organizations, governed by international law. The subjects of treaties span the whole spectrum of international relations: peace, trade, defense, territorial boundaries, human rights, law enforcement, environmental matters, and many others. The Department of State developed and continues to manage the Circular 175 Procedure (C-175 Procedure), which outlines the approval process for the negotiation and conclusion of international agreements to which the U.S. will become a party.

RESPONSIBILITIES

Agencies and staff offices will determine whether the entity has treaties and other international agreements it is responsible for reporting.

OCFO will maintain the list of all treaties and other international agreements reported by agencies and staff offices and monitor compliance with this bulletin.

POLICY

If agencies and staff offices have treaties and other international agreements, they are responsible for reporting, then entity management must:

Develop and implement effective internal controls to reasonably assure (1) the proper financial reporting of treaties and other international agreements, including a review of potential contingent liabilities; and (2) the establishment of related liabilities and note disclosures for both liabilities covered and not covered by budgetary resources.

For each treaty and other international agreement, determine the appropriate category (i.e., no present or contingent obligation to provide goods, services, or financial support; present obligation to provide goods, services, or financial support; or contingent obligation to provide goods, services, or financial support).

Review with General Counsel (at least annually), the entity's treaties and other international agreements relative to appropriate FASAB standards to identify, monitor, and report any related commitments and contingencies. In alignment with guidance defined in SFFAS No.5, as amended, recognition or disclosure of a contingent liability is based on the likelihood and measurability of a future outflow or other sacrifice of resources.

PROCEDURES

1. List all treaties and other international agreements on the Template for Treaties and International Agreements as of June 30 and September 30.

2. Select whether the agreement is a new agreement, an existing agreement, or should be removed from the list.

3. Complete applicable columns on the template based on action required for each category:

    - No Present or Contingent Obligation to Provide Goods, Services, or Financial Support

        Treaties and other international agreements under the first category do not result in liability or contingency when entered into force. Instead, these treaties or other international agreements may establish frameworks that govern cooperative activities, such as aviation safety with other countries, but leave to the discretion of the parties whether to engage in any such activities. In other cases, the agreements may contemplate specific cooperative activities but create no present or contingent obligations to engage in them. Cooperative activities relevant to these treaties and other international agreements often involve actions that federal entities undertake as part of their regular operations, funded by their regular budgets.

    - Present Obligation to Provide Goods, Services, or Financial Support

        Treaties and other international agreements falling into the second category involve a present obligation and therefore result in liability recognition. Such present obligation may relate to the U.S. Government providing financial and in-kind support, including assessed contributions, voluntary contributions, grants, and other assistance to international organizations in which it participates as a member. Examples of such agreements include:

        Agreements establishing international organizations, under which the U.S. Government undertakes obligations to pay assessed dues to the organization, Grant agreements under which the U.S. Government provides foreign assistance funds to other countries, and Claims settlement agreements under which the U.S. Government agrees to pay specific sums of money to settle claims.

Such agreements may not be entered into without specific statutory authority to undertake the obligation to spend money. Liabilities arising from such agreements should be recognized for any unpaid amounts due as of the reporting date. The liabilities include amounts due from the federal entity to pay for benefits, goods, or services provided under terms of the agreements, as of the entity's reporting date, whether such amounts have been reported to the entity. These liabilities may either be fully funded or established against future funding.

- Contingent Obligation to Provide Goods, Services, or Financial Support (may require recognition or disclosure)

  The last category encompasses treaties or other international agreements which result in contingencies that may require recognition or disclosure in the financial statements. Such contingencies may stem from commitments in a treaty or other international agreement to provide goods, services, or financial support when a future event occurs, or from litigation, claims, or assessments forged by other parties to the agreement. In such instances, conditions, situations, or circumstances exist involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. In accordance with SFFAS No. 5, a contingent liability should be recognized on the face of the basic financial statements when a past event or exchange transaction has occurred, and a future outflow or other sacrifice of resources is probable and measurable. If any of the conditions for liability recognition are not met, and there is at least a reasonable possibility that a loss or an additional loss may have been incurred, a contingent liability should be disclosed in the notes regarded as an integral part of the basic financial statements.

  Disclosure should include the nature of the contingency and an estimate of the possible liability, an estimate of the range of possible liability, or a statement that such an estimate cannot be made. For circumstances where the recognition or disclosure of a contingent liability relates to litigation, claims, or assessments resulting from the U.S. Government's involvement in a treaty or other international agreement, federal entities should summarize the financial treatment of such contingencies (recognition or disclosure) relative to the financial statements in the annual legal letter process. Any legal claim that is related to a treaty or other international agreement should be indicated as such on the legal letter form and in the appropriate column in the entity's Management Schedule.

If an agency or staff office does not have treaties or other international agreements, a template should still be returned indicating "No Treaties or International Agreements".

REFERENCES

USDA Departmental Regulation (DR) 1051-002 addresses the responsibilities of Departmental agencies regarding coordination of international activities and agreements and establishes the Intra-Departmental Coordination Committee on International Affairs. This regulation also establishes procedures within the Department to ensure compliance with the Case-Zablocki Act, 1 U.S.C. 112a and 112b, regarding consultation with the Secretary of State, reporting to Congress, and publication of international agreements.

Treasury Financial Manual Volume 1, Part 2, Chapter 4700, Federal Entity Reporting Requirements for the Financial Report of the United States Government, Section 4735.60 states treaties and other international agreements may create contingencies requiring recognition (as a liability and expense) or disclosure in the financial statements. As such, all federal entities should consider treaties and other international agreements in the analysis and preparation of the entities' annual financial statements. Federal entity management must determine whether the entity has treaties and other international agreements it is responsible for reporting.

OMB Circular A-136, II.3.8.20. Note 20: Commitments and Contingencies. Examples of commitments include undelivered orders (Note 25), public-private partnerships (Note 32), international or other agreements in support of international economic development, and agreements in support of financial market stability. Disclose as commitments in this note any commitment that is not disclosed elsewhere. Disclose contingent liabilities and contingencies, including those arising from treaties or other international agreements, in accordance with SFFAS 5, paragraphs 38 through 42.

ATTACHMENTS

Template for Treaties and International Agreements

INQUIRIES

Direct any questions concerning this bulletin to APCRD@USDA.GOV.

EFFECTIVE DATE

This bulletin is effective immediately.

LANCE RAYMOND

Digitally signed by LANCE RAYMOND
Date: 2025.06.04 15:40:37 -04'00'

Lance D. Raymond, PhD
Associate Chief Financial Officer for Shared Services