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Washington, DC 20548

Comptroller General
of the United States

Accessible Version

June 5, 2024

The Honorable Janet L. Yellen
Secretary of the Treasury
Wally Adeyemo
Deputy Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Priority Open Recommendations: Department of the Treasury

Dear Madam Secretary and Deputy Secretary Adeyemo:

The purpose of this letter is to provide an update on the overall status of the U.S. Department of the Treasury's implementation of GAO's recommendations and to call your continued personal attention to areas where open recommendations should be given high priority.[1] In November 2023, we reported that, on a government-wide basis, 75 percent of our recommendations made 4 years ago were implemented.[2] Treasury's implementation rate over this period was 85 percent.

As of May 2024, Treasury had 136 open recommendations.

These do not include recommendations made to the Internal Revenue Service (IRS) and the Office of the Comptroller of the Currency, which are addressed in separate letters. We will send copies of those letters to your office. Fully implementing these open recommendations could significantly improve Treasury's operations.

Since our July 2023 letter, Treasury has implemented four of our 33 open priority recommendations.

- In September 2023, Treasury updated its policy to notify Congress when it anticipates that Trustees' reports will be issued after the deadline and to follow-up with an updated timeframe for releasing the report, as we recommended in July 2019.[3] By following this

[1]Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

[2]GAO, *Performance and Accountability Report, Fiscal Year 2023*, GAO-24-900483 (Washington, D.C.: Nov. 15, 2023).

[3]GAO, *Social Security and Medicare: Improved Schedule Management Needed for More Timely Trust Fund Reports*, GAO-19-596 (Washington, D.C.: July 30, 2019).

policy, Treasury will keep congressional committees of jurisdiction informed of the status of the Trustees' reports and therefore enhance Congress's ability to conduct oversight and make decisions about Social Security and Medicare programs.

- As of February 2024, Treasury had fully implemented key information technology (IT) workforce planning activities, as we recommended in November 2016.[4] These efforts should improve Treasury's capability to anticipate and respond to changing staffing needs and to control human capital risks when developing, implementing, and operating critical IT systems.

- As of February 2024, Treasury implemented corrective actions to improve its consideration of the impact of amounts and information not obtained from audited federal agency financial statements, as we recommended in August 2020.[5] Treasury implemented these actions as part of its continued efforts to improve its internal control procedures for the preparation of the consolidated financial statements of the U.S. government.

- As of March 2024, Treasury reviewed and assigned cybersecurity work role codes to its IT, cybersecurity, and cyber-related positions in the 2210 IT management occupational series, as we recommended in March 2019.[6] As a result, Treasury has greater assurance that it has reliable information on its cybersecurity workforce to serve as a basis for improved workforce planning.

We ask your continued attention on the remaining 29 priority recommendations. This year, we are also adding five new recommendations related to program oversight and controls and the processes used to prepare financial statements of the U.S. government. This brings the total number of priority recommendations to 34. (See the Enclosure for the list of recommendations.)

The 34 priority recommendations fall into the following four areas.

Improving program oversight and controls. Implementing six priority recommendations in this area would improve Treasury's ability to oversee more than $46 billion in COVID-19 Emergency Rental Assistance funds and approximately $1 trillion annually in tax expenditures. It would also inform decision makers about the effect of regulations on tax liability and revenue collection.

Three of these priority recommendations are related to the oversight of Emergency Rental Assistance payments. For example, we recommended that Treasury collect more complete data from entities that made these payments. We also recommended that Treasury develop additional processes, such as post-payment reviews or recovery audits, to strengthen its oversight of program funds. Implementing these three recommendations could help Treasury more consistently identify and recover overpayments.

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[4]GAO, *IT Workforce: Key Practices Help Ensure Strong Integrated Program Teams; Selected Departments Need to Assess Skill Gaps*, GAO-17-8 (Washington, D.C.: Nov. 30, 2016).

[5]GAO, *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-20-586 (Washington, D.C.: Aug. 25, 2020).

[6]GAO, *Cybersecurity Workforce: Agencies Need to Accurately Categorize Positions to Effectively Identify Critical Staffing Needs*, GAO-19-144 (Washington, D.C.: Mar. 12, 2019).

We also made two priority recommendations to assess and improve the performance of tax expenditures. Although tax expenditures are routinely used as a policy tool, they are not regularly reviewed and their outcomes are not measured as closely as spending programs' outcomes.

Additionally, when developing regulations to implement legislation, Treasury and IRS make decisions that could potentially impact tax liability by billions of dollars per year. We made one priority recommendation for Treasury to update internal guidance to include analysis of these effects in the rulemaking process. Implementing this recommendation would better inform decision makers which regulatory alternative is the best to adopt.

Ensuring cybersecurity and information privacy. Financial services are part of the nation's critical infrastructure that provides essential functions that underpin American society. The financial services sector's reliance on IT makes it a leading target for cyber-based attacks. Implementing five priority recommendations could help Treasury strengthen cybersecurity across the financial services sector and protect personally identifiable information held within agency systems.

Three of these five priority recommendations are for Treasury to work with other federal agencies and partners to better measure progress and prioritize efforts in line with sector cybersecurity goals. For example, Treasury should coordinate an update to the financial services sector-specific plan to include metrics for measuring the progress of cyber risk mitigation efforts and information on how ongoing and planned risk mitigation efforts will meet sector goals and requirements. The other two priority recommendations are to determine if a federal insurance response is warranted based on the risk of cyberattacks, and to fully define and document the role of Treasury’s senior agency official for privacy.

As a sector risk management agency for financial services, we urge you to implement these five priority recommendations related to critical infrastructure protection.

Improving federal financial management. Complete and reliable financial information is essential for the federal government to operate as effectively and efficiently as possible. We identified 22 priority recommendations related to serious weaknesses in the processes used to prepare the consolidated financial statements of the U.S. government and the Schedules of the General Fund. Since the federal government began preparing consolidated financial statements for fiscal year 1997, long-standing material weaknesses have contributed to our being unable to express an opinion on the consolidated financial statements of the U.S. government.

The weaknesses relate to (1) accounting for intragovernmental activity and balances, (2) preparing the consolidated financial statements, and (3) reconciling the budget deficit to net operating cost and changes in cash balance. Implementing priority recommendations in this area would improve the processes used to prepare the consolidated financial statements of the U.S. government and the Schedules of the General Fund. Improving these processes is important to help ensure that Congress, the administration, and federal managers have ready access to reliable and complete financial information.

Protecting workers' retirement savings. One priority recommendation focuses on re-evaluating vesting policies to help determine whether current policies are appropriate for today's mobile workforce. Vesting policies require employees to work for a certain period of time to keep employer contributions to their 401(k) retirement accounts. The current federal laws permitting up to a 6-year vesting period are 23 years old and may be outdated.[7] Implementing this

[7]26 U.S.C. § 411(a)(2)(B); 29 U.S.C. § 1053(a)(2)(B).

recommendation could help policymakers make it easier for workers in today's mobile workforce to build retirement savings.

In April 2023, we issued our biennial update to our High-Risk List. This list identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement. It also identifies the need for transformation to address economy, efficiency, or effectiveness challenges.[8]

Two of our high-risk areas—modernizing the U.S. financial regulatory system and enforcement of tax laws—center directly on Treasury.

While there are currently no priority recommendations for Treasury related to the housing finance system, that issue is also on our High-Risk List. Addressing open matters for congressional consideration and recommendations for resolving the federal role in housing finance will require leadership commitment and action by Congress, Treasury, and other federal agencies. Treasury provided significant capital support of Fannie Mae and Freddie Mac following the 2007–2009 financial crisis and their futures remain uncertain with billions of federal dollars at risk.

Several other government-wide high-risk areas also have direct implications for Treasury and its operation. These areas include (1) ensuring the cybersecurity of the nation; (2) improving the management of IT acquisitions and operations; (3) strategic human capital management; (4) managing federal real property; and (5) government-wide personnel security clearance process.

In addition to Treasury's high-risk areas, we urge your continued attention to the other government-wide high-risk issues as they relate to Treasury. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget (OMB), and the leadership and staff in agencies, including within Treasury. In March 2022, we issued a report on key practices to successfully address high-risk areas, which can be a helpful resource as Treasury continues to make progress to address high-risk issues.[9]

We also recognize the key role Congress plays in providing oversight and maintaining focus on our recommendations to ensure they are implemented and produce their desired results. Legislation enacted in December 2022 includes a provision for GAO to identify any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues relating to such implementation.[10]

Congress can use various strategies to address our recommendations, such as incorporating them into legislation. Congress can also use its budget, appropriations, and oversight processes to incentivize executive branch agencies to act on our recommendations and monitor their progress. For example, Congress can hold hearings focused on Treasury's progress in implementing GAO's priority recommendations, withhold funds when appropriate, or take other actions to provide incentives for agencies to act. Moreover, Congress could follow up during the appropriations process and request periodic updates.

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[8]GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023).

[9]GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, GAO-22-105184 (Washington, D.C.: Mar. 3, 2022).

[10]James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 7211(a)(2), 136 Stat. 2395, 3668 (2022); H.R. Rep. No. 117-389 at 43 (2022) (accompanying Legislative Branch Appropriations Act, H.R. 8237, 117th Cong. (2022)).

Congress also plays a key role in addressing any underlying issues related to the implementation of these recommendations. For example, Congress could pass legislation providing an agency explicit authority to implement a recommendation or requiring an agency to take certain actions to implement a recommendation.

Copies of this report are being sent to the Director of OMB and the appropriate congressional committees. In addition, the report will be available on the GAO website at Priority Open Recommendation Letters | U.S. GAO.

I appreciate Treasury's continued commitment to these important issues. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Michelle Sager, Managing Director, Strategic Issues, at SagerM@gao.gov or (202) 512-6806. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. Our teams will continue to coordinate with your staff on all the 136 open recommendations, as well as those additional recommendations in the high-risk areas for which Treasury has a leading role. Thank you for your attention to these matters.

Sincerely,

Gene L. Dodaro
Comptroller General
of the United States

Enclosure

cc: The Honorable Shalanda Young, Director, OMB
David Lebryk, Fiscal Assistant Secretary, Treasury
Anna Canfield Roth, Assistant Secretary for Management, Treasury
Danny Werfel, Commissioner, IRS
James Martin, Acting Director, Office of Financial Research
The Honorable Michael J. Hsu, Acting Comptroller of the Currency, Office of the Comptroller of the Currency

Enclosure

Priority Open Recommendations to Department of the Treasury

Improving Program Oversight and Controls

COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies. GAO-22-105291. Washington, D.C.: January 27, 2022.

Year recommendation made: 2022

Recommendation: The Secretary of the Treasury should design and implement processes, such as post-payment reviews or recovery audits, to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers in the Emergency Rental Assistance programs.

Action needed: Treasury agreed with this recommendation. Treasury stated that it is working to establish post-payment reviews and recovery audit activities within the schedule prescribed in its Implementation Guide for Office of Management and Budget (OMB) Circular A-123 Appendix C: Requirements for Payment Integrity. In December 2023, Treasury provided documentation that shows it has designed monitoring procedures related to determining whether nonfederal entities appropriately disbursed Emergency Rental Assistance (ERA) program funds to households. However, we did not see evidence of monitoring procedures related to eligibility of households and Treasury's recovery efforts on funds provided to or on behalf of ineligible households. In addition, Treasury indicated that its ERA desk review plan that uses risk-based analytics to identify the highest-risk ERA recipients is in development. In March 2024, Treasury reported that it had not taken additional corrective actions since December 2023.

To fully implement this recommendation, Treasury needs to have a process in place for conducting effective post-payment reviews or recovery audits to identify and recover ERA overpayments made by grantees. Until Treasury fully implements those processes, Treasury's ability to consistently identify and recover overpayments made by grantees—including those resulting from potential fraud—will be delayed or impossible.

Director: M. Hannah Padilla, Financial Management and Assurance
Contact information: PadillaH@gao.gov or (202) 512-5683
Director: Jill Naamane, Financial Markets and Community Investment
Contact information: NaamaneJ@gao.gov or (202) 512-8678

Emergency Rental Assistance: Treasury's Oversight Is Limited by Incomplete Data and Risk Assessment. GAO-23-105410. Washington, D.C.: December 20, 2022.

Year recommendations made: 2023

Recommendation: The Chief of the Office of Recovery Programs should expediently collect complete and accurate data, including quarterly payment data and performance measures required by the Consolidated Appropriations Act, 2021.[11]

Action needed: Treasury agreed with this recommendation. In February 2024, Treasury stated that it has taken steps to collect more complete ERA1 data from grantees through its closeout report, but the agency is in the process of validating and finalizing the data and did not have an estimated date for publishing the closeout report.[12] Treasury officials also acknowledged that ERA2 data continue to be incomplete and that improvement efforts were ongoing.

To fully implement this recommendation, Treasury will need to continue working with grantees to collect complete and reliable data each quarter on an ongoing basis. Lack of complete and accurate data hinders Treasury and its Office of Inspector General from effectively evaluating the program for compliance with relevant laws and consistency with guidance.

Recommendation: The Chief of the Office of Recovery Programs should complete a detailed assessment of the ERA program's susceptibility to improper payments, such as a quantitative analysis that incorporates grantee payment data and other relevant data sources.

Action needed: Treasury agreed with this recommendation. In February 2024, Treasury stated that it had completed high-level risk assessments for the ERA program that focused on the risk of improper payments in Treasury's disbursement of ERA allocations to grantees. To fully implement this recommendation, Treasury will need to complete a more detailed assessment of improper payment risks that includes consideration of payments grantees made to households. Taking these actions would help Treasury and its Office of Inspector General to oversee the ERA program and address improper payment risks.

Director: Jill Naamane, Financial Markets and Community Investment

Contact information: NaamaneJ@gao.gov or (202) 512-8678

Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to be Reexamined. GAO-05-690. Washington, D.C.: September 23, 2005.

Year recommendation made: 2005

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[11]In December 2020, the Consolidated Appropriations Act, 2021 authorized Treasury to disburse about $25 billion to remain available to grantees until September 30, 2022 (referred to as ERA1 by Treasury). In March 2021, the American Rescue Plan Act of 2021 authorized Treasury to disburse about an additional $21.55 billion to remain available to grantees until September 30, 2025 (referred to as ERA2 by Treasury).

[12]Pursuant to OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Federal awarding agencies, along with their grant recipients, must undergo a "closeout" process. This process requires, among other things, that grantees report to the federal awarding agency all financial, performance, and other reports as required by the terms and conditions of the federal award not later than 120 calendar days after the end date of the period of performance. ERA1 grantees were required to submit their closeout report by January 30, 2023 (the closeout report for grantees that received reallocated funds was due on April 28, 2023). Once a grantee completes all closeout requirements, the federal awarding agency must complete its own closeout actions for federal awards. 2 C.F.R. § 200.344. Treasury developed closeout reporting requirements for ERA1 grantees to comply with 2 C.F.R. § 200.344.

Recommendation: To ensure that policymakers and the public have the necessary information to make informed decisions and to improve the progress toward exercising greater scrutiny of tax expenditures, the Director of OMB, in consultation with the Secretary of the Treasury, should develop and implement a framework for conducting performance reviews of tax expenditures. In developing the framework, the Director should

- determine which agencies will have leadership responsibilities to review tax expenditures, how reviews will be coordinated among agencies with related responsibilities, and how to address the lack of credible performance information on tax expenditures;
- set a schedule for conducting tax expenditure evaluations;
- re-establish appropriate methods to test the overall evaluation framework and make improvements as experience is gained; and
- identify any additional resources that may be needed for tax expenditure reviews.

Action needed: At the time of our report, Treasury deferred to OMB. OMB disagreed with implementing the recommendation. However, OMB noted that Treasury would be responsible for carrying out tax expenditure evaluations. Neither Treasury nor OMB have taken action on this recommendation. As of March 2024, OMB does not plan to address it.

We continue to believe that Treasury should consult with OMB to develop and implement a framework for evaluating tax expenditures and preliminary performance measures. Such action would inform policy decisions about the efficiency, effectiveness, and equity of the approximately $1 trillion in annual tax expenditures. It would also help policymakers determine whether tax expenditures are the best tool for accomplishing federal objectives within a functional area.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue, Jr., Strategic Issues
Contact information: MctigueJ@gao.gov or (202) 512-6806

New Markets Tax Credit: Better Controls and Data Are Needed to Ensure Effectiveness. GAO-14-500. Washington, D.C.: July 10, 2014.

Year recommendation made: 2014

Recommendation: The Secretary of the Treasury should issue guidance on how funding or assistance from other government programs can be combined with the New Markets Tax Credit (NMTC). This includes the extent to which other government funds can be used to leverage the NMTC by being included in the qualified equity investment.

Action needed: Treasury neither agreed nor disagreed with this recommendation. In July 2023, the Community Development Financial Institutions (CDFI) Fund, which is part of Treasury, published a notice in the *Federal Register* soliciting public comments on additional data to be collected from Community Development Entities.[13] These data could be used to identify NMTC-financed projects that may have excessive public funding. In March 2024, Treasury officials told us that the CDFI Fund was in the process of updating its information system to capture the additional data. Finalizing this process and collecting the additional data would fully respond to the intent of our recommendation. These actions could help ensure that low-income community projects do not receive more government assistance than required to finance a project.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue, Jr., Strategic Issues
Contact information: MctigueJ@gao.gov or (202) 512-6806

Tax Cuts and Jobs Act: Considerable Progress Made Implementing Business Provisions, but IRS Faces Administrative and Compliance Challenges. GAO-20-103. Washington, D.C.: February 25, 2020.

Year recommendation made: 2020

Recommendation: The Assistant Secretary of Tax Policy should update Treasury's internal guidance to ensure that Treasury's regulatory impact analyses include examination of the distributional effects of revenue changes when regulations influence tax liability.

Action needed: Treasury disagreed with this recommendation. In September 2023, Treasury officials said Treasury applies a facts-and-circumstances approach to identifying instances when economic analysis is appropriate. We maintain that decisions Treasury and the Internal Revenue Service (IRS) made when developing regulations to implement the Tax Cuts and Jobs Act could potentially impact tax liability by billions of dollars per year, thereby warranting economic analysis. As of March 2024, Treasury officials stated that they generally do not agree with conducting distributional analysis of tax regulations and do not plan to address this recommendation.

To fully implement this recommendation, Treasury needs to update its internal guidance for conducting impact analyses to include examination of distributional effects of revenue changes when regulations influence tax liability. By excluding analyses of distributional effects due to changes in tax liability, including effects on tax revenue collection, Treasury and IRS risk making regulatory decisions that have significant economic effects without fully understanding the consequences of their decisions.

Director: Jessica Lucas-Judy, Strategic Issues
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Ensuring Cybersecurity and Information Privacy

Critical Infrastructure Protection: Treasury Needs to Improve Tracking of Financial Sector Cybersecurity Risk Mitigation Efforts. GAO-20-631. Washington, D.C.: September 17, 2020.

Year recommendations made: 2020

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[13] 88 Fed. Reg. 48,504 (Jul. 27, 2023).

Recommendation: Regarding financial sector cyber risk mitigation efforts, we recommend that the Secretary of the Treasury, in coordination with the Department of Homeland Security and other federal and nonfederal sector partners, track the content and progress of sectorwide cyber risk mitigation efforts, and prioritize their completion according to sector goals and priorities in the sector-specific plan.

Action needed: Treasury agreed with this recommendation. However, Treasury had concerns with its authority to implement it, due to its limited authority to require regulators to supply data on cyber risk mitigation efforts, and legal and trust concerns with getting information from firms voluntarily. We responded to these concerns in our 2020 report. Treasury is ideally positioned to secure voluntary agreement from these groups to provide focused information on their cyber risk mitigation efforts. This, in turn, would help Treasury track and prioritize progress toward sector goals.

In January 2023, Treasury reported that it plans to discuss with the financial services sector the development of metrics on sector risk mitigation efforts and on the sector’s adoption of the National Institute of Standards and Technology cybersecurity framework. Treasury also stated it plans to develop metrics on the sector’s sharing of cyber threat information and measures regarding their effectiveness. In May 2023, Treasury said it was planning implementation of a tool that may enable it to track sector risks and mitigation efforts, but that the tool’s capabilities and uses were in development.

As of April 2024, Treasury had completed mapping of sector information flows, which it plans to use to inform further understanding of sector risks and risk mitigation efforts. To fully implement this recommendation, Treasury needs to finalize steps to track the financial sector’s risk mitigation efforts, and to prioritize the completion of efforts according to sectorwide goals and priorities. Without doing so, Treasury and the financial sector will remain unable to determine the effectiveness of their efforts.

Recommendation: Regarding the financial sector-specific plan, we recommend that the Secretary of the Treasury, in coordination with the Department of Homeland Security and other federal and nonfederal sector partners, update the financial services sector-specific plan to include specific metrics for measuring the progress of risk mitigation efforts and information on how the sector's ongoing and planned risk mitigation efforts will meet sector goals and requirements, such as requirements for the financial services sector in the *National Cyber Strategy Implementation Plan*.

Action needed: Treasury agreed with the recommendation. However, Treasury believed the recommendation should not be implemented until the Department of Homeland Security updates the National Infrastructure Protection Plan, now called the National Plan, to establish cross-sector priorities and provide guidance on sector-specific plans. We reported in February 2023 that there was no deadline for the National Plan to be updated. In April 2024, Treasury also said that it plans to update the financial services sector-specific plan based on a related memorandum on critical infrastructure security.[14] In addition, Treasury stated that it was working on developing sector-specific cyber performance goals.

To fully implement this recommendation, Treasury needs to document the progress of sectorwide risk mitigation efforts and illustrate how these efforts will meet the financial sector’s

[14]The related memorandum was issued on April 30, 2024.

goals and priorities. Without doing so, it will be difficult for Treasury to determine whether the financial sector's risk mitigation efforts will improve its cyber resilience.

High-risk areas: Ensuring the Cybersecurity of the Nation and Modernizing the U.S. Financial Regulatory System

Managing Director: Nick Marinos, Information Technology and Cybersecurity
Contact information: MarinosN@gao.gov or (202) 512-9342
Director: Michael E. Clements, Financial Markets and Community Investment
Contact information: ClementsM@gao.gov or (202) 512-8678

Critical Infrastructure Protection: Additional Actions Are Essential for Assessing Cybersecurity Framework Adoption. GAO-18-211. Washington, D.C.: February 15, 2018.

Year recommendation made: 2018

Recommendation: The Secretary of Treasury should take steps to consult with respective sector partner(s), such as the sector coordinating council, Department of Homeland Security, and the National Institute of Standards and Technology, as appropriate, to develop methods for determining the level and type of framework adoption by entities across their respective sector.

Action needed: Treasury neither agreed nor disagreed with this recommendation. Treasury stated that it does not have the authority to compel entities to share cybersecurity framework adoption data. Treasury stated that the voluntary nature of private sector participation in sector risk management agency activities affects its ability to implement certain recommendations, but it plans to collaborate with the sector to develop methods to determine the level and type of framework adoption.

As of March 2024, Treasury had not identified a time frame for completing these efforts. To fully implement the recommendation, Treasury needs to work across the critical infrastructure sector to better understand the sector's level and type of framework adoption. Doing so may be challenging, but it is essential to the success of cybersecurity protection efforts.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Dave Hinchman, Information Technology and Cybersecurity
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Cyber Insurance: Action Needed to Assess Potential Federal Response to Catastrophic Attacks. GAO-22-104256. Washington, D.C.: June 21, 2022.

Year recommendation made: 2022

Recommendation: The Director of the Federal Insurance Office should work with the Director of the Cybersecurity and Infrastructure Security Agency (CISA) to produce a joint assessment for Congress on the extent to which the risks to the nation's critical infrastructure from catastrophic cyberattacks, and the potential financial exposures resulting from these risks, warrant a federal insurance response.

Action needed: Treasury agreed with this recommendation. In September 2022, Treasury published a request for information in the *Federal Register* to solicit comments from stakeholders on topics related to a potential federal insurance response to catastrophic cyber incidents.[15] It received 55 responses from a variety of organizations. In March 2024, Treasury stated that it had completed its initial assessment of the potential need for a federal response to catastrophic cyber incidents. The assessment concluded with a decision to further explore the appropriate form of a federal insurance response, in coordination with CISA. Treasury added that it plans to host a conference in May 2024 as part of this next assessment phase. As of March 2024, Treasury had not provided us an update as to when it plans to conclude its overall assessment.

To fully implement this recommendation, Treasury needs to continue its stakeholder engagement and complete its overall assessment. Such an assessment could inform Congress in its deliberations related to addressing the increasing risk of catastrophic cyber incidents to U.S. critical infrastructure.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Jill Naamane, Financial Markets and Community Investment
Contact information: NaamaneJ@gao.gov or (202) 512-8678
Director: Kevin Walsh, Information Technology and Cybersecurity
Contact information: WalshK@gao.gov or (202) 512-6151

Privacy: Dedicated Leadership Can Improve Programs and Address Challenges. GAO-22-105065. Washington, D.C.: September 22, 2022.

Year recommendation made: 2022

Recommendation: The Secretary of the Treasury should establish a time frame for fully defining the role of the senior agency official for privacy or other designated privacy official in reviewing and approving system categorizations, overseeing privacy control assessments, and reviewing authorization packages, and document these roles.

Action needed: Treasury did not agree or disagree with this recommendation. As of March 2024, Treasury had updated its Privacy Act Directive to state that the Chief Information Officer will inform the Director of Privacy and Civil Liberties of reviews or authorization packages to ensure privacy personnel involvement in reviewing and approving system categorizations, overseeing privacy control assessments, and reviewing authorization packages. However, the directive does not specify which privacy personnel should be involved in these activities, or what their specific roles are.

To fully implement this recommendation, Treasury needs to fully define the role of the senior agency official for privacy or other designated privacy officials in these steps for authorizing systems with personally identifiable information and document these roles in its policies and procedures. Doing so will help the department ensure that privacy protections are adequately incorporated into those systems.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Jennifer Franks, Information Technology and Cybersecurity

[15] 87 Fed. Reg. 59,161 (Sept. 29, 2022).

Contact information: FranksJ@gao.gov or (404) 679-1831

Improving Federal Financial Management

U.S. Consolidated Financial Statements: Improvements Needed in Internal Controls over the Treasury and OMB Preparation Process. GAO-23-106707. Washington, D.C.: August 15, 2023.

Year recommendations made: 2013, 2014, 2022, and 2023[16]

Recommendations: The Department of the Treasury should focus on recommendations related to the long-standing material weaknesses in the processes used to prepare the consolidated financial statements of the U.S. government. We completed our fiscal year 2023 audit of the U.S. government's consolidated financial statements in February 2024 and determined that 11 recommendations from prior audits remain open.[17]

Actions needed: Treasury agreed with the 11 recommendations. Treasury and OMB should focus on addressing long-standing material weaknesses related to (1) accounting for intragovernmental activity and balances, (2) preparing the consolidated financial statements, and (3) reconciling the budget deficit to net operating cost and changes in cash balance. Treasury and OMB officials expressed their continuing commitment to addressing these material weaknesses as documented in Treasury and OMB's Remediation Plan for the Financial Report of the U.S. Government.[18]

To fully implement corrective actions to address the recommendations, Treasury should design and update corrective action plans with OMB's support. Implementing the 11 recommendations would help address long-standing material weaknesses in the processes used to prepare the consolidated financial statements of the U.S. government.

Director: Dawn B. Simpson, Financial Management and Assurance

Contact information: SimpsonDB@gao.gov or (202) 512-3406

Financial Audit: Bureau of the Fiscal Service's FY 2022 Schedules of the General Fund. GAO-23-104786. Washington, D.C.: March 30, 2023.

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[16]In our annual report on the preparation of the consolidated financial statements of the U.S. government, we report on the status of recommendations made in prior years and make new recommendations as appropriate. The prior recommendations are from GAO, *Management Report: Improvements Needed in Controls over the Processes Treasury and OMB Used to Prepare the U.S. Consolidated Financial Statements*, GAO-22-105851 (Washington, D.C.: Aug 16, 2022); *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-14-543 (Washington, D.C.: June 19, 2014); and *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-13-540 (Washington, D.C.: June 28, 2013).

[17]Our forthcoming management report, which we expect to issue in summer 2024, will detail internal control deficiencies identified in our fiscal year 2023 audit and provide recommendations for corrective action.

[18]Office of Management and Budget and Department of the Treasury, Financial Report of the United States Government: Remediation Plan FY 2023 (September 2023).

Year recommendations made: 2019, 2021, and 2023[19]

Recommendations: The Commissioner of Fiscal Service should focus on four recommendations addressing internal control deficiencies that prevent us from expressing an opinion on the Schedules of the General Fund. Fiscal Service should also prioritize seven recommendations related to effectively monitoring internal control over financial reporting and other control deficiencies.

Actions needed: Treasury agreed with the 11 recommendations. As of March 2024, Fiscal Service continues to:

- develop new mechanisms for federal entities to report accounting transactions and reclassifications at the appropriate level of detail for traceability through the Schedules. Fiscal Service will need all federal entities to either (1) fully utilize the Central Accounting Reporting System (CARS) or (2) report the necessary detail using another mechanism;
- develop and implement additional transaction codes that would provide more detailed information on accounting transactions reported in CARS and educate and encourage federal entities to use the new transaction codes that have been established;
- develop and implement a procedure to review active Treasury accounts and ensure there is supporting documentation for attributes and other transaction codes assigned to them; and
- develop and implement a mechanism to trace various postpayments recorded in the Schedules to supporting transaction data for a potential reconciliation process.

To fully implement the 11 recommendations, Fiscal Service needs to complete these and other actions to address internal control deficiencies and monitoring. Doing so will not only enable us to express an opinion on the Schedules of the General Fund but also improve Treasury's internal control over financial reporting.

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Protecting Workers' Retirement Savings

401(K) Plans: Effects of Eligibility and Vesting Policies on Workers' Retirement Savings. GAO-17-69. Washington, D.C.: October 21, 2016.

Year recommendation made: 2017

Recommendation: To ensure that current vesting policies appropriately balance plans' needs and interests with the needs of workers to have employment mobility while also saving for retirement, Treasury should evaluate the appropriateness of existing maximum vesting policies for account-based plans, considering today's mobile labor force, and seek legislative action to

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[19]The prior recommendations are from GAO, *Financial Audit: Bureau of the Fiscal Service's FY 2022 Schedules of the General Fund*, GAO-23-104786 (Washington, D.C., Mar. 6, 2023), *Financial Audit: Bureau of the Fiscal Service's FY 2020 Schedules of the General Fund*, GAO-21-362 (Washington, D.C., Apr. 15, 2021), and *Financial Audit: Bureau of the Fiscal Service's FY 2018 Schedules of the General Fund*, GAO-19-185 (Washington, D.C.: May 15, 2019).

revise vesting schedules, if deemed necessary. The Department of Labor (DOL) could provide assistance with such an evaluation.

Action needed: Treasury neither agreed nor disagreed with this recommendation. DOL stated that vesting policies are under Treasury's interpretive and regulatory jurisdiction. Treasury noted that vesting policies are set by law and had not taken any action as of March 2024. However, for Congress to consider updating vesting policies, it needs information as to whether changes are warranted and what the effects might be. As the agency with interpretive and regulatory jurisdiction, Treasury is best positioned to provide such information.

The SECURE 2.0 Act of 2022 included provisions aimed at expanding coverage and increasing savings in workplace retirement accounts.[20] However, workers who leave a job before vesting will forfeit employer contributions to their accounts and the investment returns based on these contributions.

To fully implement this recommendation, Treasury needs to assess whether current policies are appropriate for today's mobile workforce, either through its own evaluation or in coordination with DOL. Given that about one-third of plans require 5 to 6 years of eligible service for full vesting while the median tenure with current employer in the private-sector is 4.1 years, these policies can significantly affect retirement security for more than 65 million Americans who hold active 401(k) plan accounts.

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[20]Pub. L. No. 117-328, div. T, 136 Stat. 4459, 5275-04. The SECURE 2.0 Act of 2022 followed the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, which also included provisions intended to expand and preserve retirement savings.