

GAO Highlights

Highlights of [GAO-22-105851](#), a report to agency officials

Why GAO Did This Study

The Secretary of the Treasury, in coordination with the Director of OMB, prepares the *Financial Report of the United States Government*, which includes the CFS. Since GAO's first audit of the fiscal year 1997 CFS, certain material weaknesses and other limitations on the scope of its work have prevented GAO from expressing an opinion on the accrual-based consolidated financial statements. As part of the fiscal year 2021 CFS audit, GAO identified continuing material weaknesses and other control deficiencies in the processes used to prepare the CFS.

The objective of this report is to provide (1) details on new control deficiencies GAO identified related to the processes Treasury used to prepare the CFS, along with related recommendations, and (2) the status of corrective actions that Treasury, in coordination with OMB, has taken to address GAO's prior recommendations related to the processes used to prepare the CFS that remained open as of the completion of GAO's audit of the fiscal year 2020 CFS.

What GAO Recommends

GAO is making five new recommendations to Treasury to address the control deficiencies identified during the fiscal year 2021 CFS audit. In commenting on GAO's draft report, Treasury concurred with the five new recommendations and noted its ongoing commitment to improving federal financial reporting. OMB generally agreed with the draft report and noted its continuing commitment to achieving sound financial management across the federal government.

View [GAO-22-105851](#). For more information, contact Dawn B. Simpson, (202) 512-3406 or simpsondb@gao.gov.

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MANAGEMENT REPORT

Improvements Needed in Controls over the Processes Treasury and OMB Used to Prepare the U.S. Consolidated Financial Statements

What GAO Found

GAO's audit of the fiscal year 2021 consolidated financial statements of the U.S. government (CFS) identified control deficiencies in the processes the Department of the Treasury, in coordination with the Office of Management and Budget (OMB), used to prepare the CFS. These control deficiencies contributed to material weaknesses in internal control that involve the federal government's inability to

- adequately account for intragovernmental activity and balances between federal entities;
- reasonably assure that the consolidated financial statements are (1) consistent with the underlying audited entities' financial statements, (2) properly balanced, and (3) in accordance with U.S. generally accepted accounting principles; and
- reasonably assure that the information in the (1) Reconciliations of Net Operating Cost and Budget Deficit and (2) Statements of Changes in Cash Balance from Budget and Other Activities is complete, properly supported, and consistent with the underlying information in the audited entities' financial statements and other financial data.

GAO identified four new control deficiencies during the fiscal year 2021 audit in the processes Treasury used to prepare the CFS.

1. Treasury did not sufficiently design and implement procedures to reasonably assure appropriate accounting and reporting for significant, unusual transactions and events, such as changes in legislation, affecting the CFS.
2. Treasury did not have sufficient procedures to identify and consider the effect of all known uncorrected misstatements on each affected line item and financial statement in its analysis for determining whether the uncorrected misstatements have a material effect on the current and prior year CFS.
3. Treasury did not have sufficient procedures to reasonably assure that significant accounting policies are appropriately disclosed in the CFS and, as applicable, are consistent with significant component entity audited financial statements.
4. Treasury did not have sufficient policies and procedures to support disclosure decisions for the CFS related to explaining significant fluctuations or disaggregating line item components in note tables.

For control deficiencies identified in prior years, Treasury, in coordination with OMB, implemented corrective actions that resolved two of the 12 recommendations open as of the beginning of GAO's fiscal year 2021 CFS audit. As part of its fiscal year 2022 CFS audit, GAO will continue to monitor the status of corrective actions to address the five new recommendations made in this report as well as the 10 open recommendations from prior years.