

GAO Highlights

Highlights of [GAO-23-106707](#), 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 2022 CFS audit, GAO identified continuing material weaknesses and other control deficiencies in the processes used to prepare the CFS.

The objectives of this report are 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 2021 CFS.

What GAO Recommends

GAO is making five new recommendations to Treasury to address the control deficiencies identified during the fiscal year 2022 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-23-106707](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov.

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U.S. CONSOLIDATED FINANCIAL STATEMENTS

Improvements Needed in Internal Controls over Treasury and OMB Preparation Processes

What GAO Found

GAO's audit of the fiscal year 2022 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 (U.S. GAAP); 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 found that Treasury, as part of a working group, has made significant progress in addressing the control deficiencies related to treaties and other international agreements (TIA) identified in previous years. GAO closed the five recommendations related to TIAs and made two new TIA recommendations in this report that are better aligned with the current status of the remaining control deficiencies related to TIAs.

GAO also identified two new control deficiencies in the processes Treasury used to prepare the CFS.

1. Treasury did not sufficiently identify information significant component entities submitted for inclusion in the CFS that did not link directly to information reported in the respective entities' audited financial statements.
2. Treasury did not reasonably assure the reliability of information used from sources other than significant component entities' audited financial statements to prepare the social insurance sections of the CFS.

These deficiencies increase the risk that material amounts and disclosures may not be presented in the CFS in accordance with U.S. GAAP. In addition to the five closed TIA-related recommendations, Treasury implemented corrective actions that resolved one other open recommendation. As part of its fiscal year 2023 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 nine open recommendations from prior years.