

GAO@100 Highlights

Highlights of [GAO-21-587](#), 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 contains the CFS. Since GAO's first audit of the CFS, for fiscal year 1997, certain material weaknesses and other limitations have prevented GAO from expressing an opinion on the accrual-based consolidated financial statements. As part of the fiscal year 2020 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 the status of corrective actions that Treasury and OMB have 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 fiscal year 2019 audit.

What GAO Recommends

GAO is not making any new recommendations in this report. It is important that Treasury, in coordination with OMB, continue to take action to address the remaining 12 open recommendations. In commenting on GAO's draft report, Treasury noted (1) that Treasury and OMB have improved processes and strengthened internal controls over the processes used to prepare the CFS and (2) 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-21-587](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov.

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MANAGEMENT REPORT

Continued Improvements Needed in the Processes Used to Prepare the U.S. Consolidated Financial Statements

What GAO Found

GAO's audit of the fiscal year 2020 consolidated financial statements of the U.S. government (CFS) found continuing control deficiencies in the Department of the Treasury's (Treasury) and the Office of Management and Budget's (OMB) processes 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.

As of the completion of GAO's fiscal year 2019 CFS audit, 15 recommendations were open from GAO's prior reports related to control deficiencies in the processes used to prepare the CFS. Treasury, in coordination with OMB, implemented corrective actions that resolved control deficiencies related to three of the 15 recommendations. As a result, GAO closed these three recommendations. These corrective actions included

- establishing effective processes and procedures to reasonably assure that appropriate information regarding legal contingency losses is reported in the CFS;
- implementing additional reviews and improved procedures to reasonably assure that restatements, reclassifications, and adjustments to beginning net position are properly supported and accurately reported; and
- improving corrective action plans for certain areas by including sufficient steps to effectively address related control deficiencies.

While progress was made, 12 of the 15 recommendations remained open as of March 17, 2021, the date of GAO's report on its audit of the fiscal year 2020 CFS. GAO will continue to monitor the status of corrective actions taken to address the 12 open recommendations from prior years as part of its fiscal year 2021 CFS audit.