

GAO Highlights

Highlights of [GAO-24-107443](#), 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 2023 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, 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 2022 CFS.

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 11 open recommendations. In commenting on GAO's draft report, Treasury (1) noted that Treasury and OMB have improved and strengthened their CFS preparation process controls and (2) emphasized 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-24-107443](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov.

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U.S. CONSOLIDATED FINANCIAL STATEMENTS

Continued Improvements Needed in Treasury and OMB Preparation Process Controls

What GAO Found

GAO's audit of the fiscal year 2023 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.

At the completion of GAO's fiscal year 2022 audit, 14 recommendations were open from prior reports related to control deficiencies in the processes used to prepare the CFS. During the fiscal year 2023 CFS audit, GAO found that Treasury implemented corrective actions that resolved two deficiencies and three associated recommendations from prior GAO reports; GAO closed these recommendations. As described in appendix I of this report, these corrective actions included

- enhancing existing procedures and implementing new procedures for considering the aggregate impact, on the reliability of the CFS, of information not obtained from significant component entities' audited financial statements;
- enhancing procedures for documenting amounts identified through the entity data analysis (EDA) process that do not link directly to the significant component entities' audited financial statements; and
- developing and implementing procedures for considering the impact on the CFS of amounts identified through the EDA process.

While progress was made, 11 of the 14 recommendations remained open as of February 7, 2024, the date of GAO's report on its audit of the fiscal year 2023 CFS. GAO will continue to monitor the status of corrective actions taken to address the 11 open recommendations from prior years as part of its fiscal year 2024 CFS audit.