



Testimony

Before the Subcommittee on Oversight
Committee on Ways and Means, House
of Representatives

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FINANCIAL MANAGEMENT

Overview of Federal Payment Process

Statement of Kristen Kocielek, Managing Director,
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Chairman Schweikert, Ranking Member Sewell, and Members of the Subcommittee:

I am pleased to participate in today's hearing. I have been asked here today to discuss the Department of the Treasury's payment process and related systems.

Treasury operates and maintains systems that are critical to the government's financial infrastructure. This includes the disbursement of payments to the American public and businesses, the collection of taxes and other revenue, and the borrowing of funds necessary to run the federal government.

The General Fund of the U.S. government is the reporting entity responsible for accounting for the cash activity of the federal government. The Secretary of the Treasury has delegated management of the General Fund to the Bureau of the Fiscal Service. In fiscal year 2022, the General Fund reported \$23.2 trillion of cash inflows—primarily debt issuances and tax collections—and \$22.8 trillion of cash outflows, primarily debt repayments.

My statement today discusses our (1) understanding of the payment processes as they relate to the General Fund, and (2) knowledge of audit activities over the payment systems.

This statement is based primarily on work we performed as part of our financial statement audit of the fiscal year 2022 Schedules of the General Fund. We are currently auditing the fiscal year 2024 Schedules of the General Fund. We plan to issue that report in March 2025.

Our fiscal year 2022 report provides more detailed information on the objectives, scope, and methodology for our audit.¹ We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a

¹GAO, *Financial Audit: Bureau of the Fiscal Service's FY 2022 Schedules of the General Fund*, [GAO-23-104786](#) (Washington, D.C: Mar. 30, 2023).

reasonable basis for our findings and conclusions based on our audit objectives.

Background

We audited the fiscal year 2022 Schedules of the General Fund because of their significance to the consolidated financial statements of the U.S. government. The Secretary of the Treasury, in coordination with the Director of the Office of Management and Budget, is required to annually submit audited financial statements for the executive branch of the U.S. government to the President and Congress.² GAO is required to audit these statements. Our most recent report on the U.S. government's consolidated financial statements discusses progress that has been made,³ but also underscores that much work remains to improve federal financial management and that the federal government continues to face an unsustainable long-term fiscal path.⁴

We continued to encounter limitations that prevented us from expressing an opinion on the fiscal year 2022 Schedules of the General Fund or on Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund as of September 30, 2022. We have provided recommendations to Fiscal Service to address these limitations related to deficiencies in their financial reporting processes. Treasury agreed with our recommendations and has plans to address them. We will provide an update on their status in our fiscal year 2024 report.

Our audit procedures included obtaining an understanding of the federal payment process and related internal controls over financial reporting relevant to our audits.

The Federal Government Payment Process

The U.S. government disburses cash payments for various reasons. This includes federal debt redemptions and interest, federal income tax refunds, benefit payments, vendor and salary payments, and other miscellaneous payments.

²31 U.S.C. § 331(e). These statements, as submitted, also include the legislative and judicial branches.

³GAO, *Financial Audit: FY 2024 and 2023 Consolidated Financial Statements of the U.S. Government*, [GAO-25-107421](#) (Washington, D.C.: Jan. 16, 2025).

⁴Also see GAO, *The Nation's Fiscal Health: Strategy Needed as Debt Levels Accelerate*, [GAO-25-107714](#) (Washington, D.C.: Feb 5, 2025) and GAO, *Debt Limit: Statutory Changes Could Avert the Risk of a Government Default and Its Potentially Severe Consequences*, [GAO-25-107089](#) (Washington, D.C.: Dec. 11, 2024).

The majority of federal entities, such as individual departments and agencies, process their payments through Fiscal Service's Treasury Disbursing Offices.⁵ These federal entities internally review and approve payments to be made and submit certified payment schedules to Fiscal Service using Fiscal Service systems. Federal entities are responsible for maintaining the detailed information supporting their payment transactions and related internal controls, such as controls designed to prevent improper payments, including fraud.

Fiscal Service then processes the payment schedules via several system applications and submits payment files to the Federal Reserve to make the payments, which are primarily electronic fund transfers. Fiscal Service's processes include certain edit and format checks, which can include checking scheduled payments against certain information in the Do Not Pay portal. After payments are made, various Fiscal Service systems capture payment information for accounting and reporting purposes.

Audit Activities Related to Treasury Payment Systems

Since our initial audit of the Schedules of the General Fund for fiscal year 2018, we have conducted limited audit procedures over information system controls.⁶ These included procedures related to access controls, configuration management, and security management for the information systems relevant to the General Fund. During the course of our audits, we also considered the results of relevant information system control tests performed as part of the annual audit of Treasury's consolidated financial statements.⁷

⁵This payment process does not apply to (1) payments processed by Non-Treasury Disbursing Offices and submitted directly to the Federal Reserve Banks for payment; and (2) payments initiated and processed by the Federal Reserve Banks, which consist primarily of debt transactions. The General Fund obtains relevant payment information from Non-Treasury Disbursing Offices and the Federal Reserve Banks for accounting and reporting purposes.

⁶Due to the disclaimer of opinion, we perform limited audit procedures, which are less than we would perform if we were able to provide an opinion.

⁷Department of the Treasury, Office of Inspector General, *Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2022 and 2021*, OIG-23-007 (Washington, D.C.: Nov. 15, 2022). For the most recent audit report, see Department of the Treasury, Office of Inspector General, *Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2024 and 2023*, OIG-25-013 (Washington, D.C.: Nov. 15, 2024).

In addition to audit procedures performed as part of recurring financial statement audits, Treasury's Office of Inspector General annually evaluates the effectiveness of Treasury's information security program and practices, in accordance with the Federal Information Security Modernization Act of 2014 (FISMA).⁸

Chairman Schweikert, Ranking Member Sewell, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

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Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

⁸44 U.S.C. § 3554(b).

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