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The President
The President of the Senate
The Speaker of the House of Representatives

Financial Audit: FY 2020 and FY 2019 Consolidated Financial Statements of the U.S. Government

This report transmits the results of GAO's audit of the U.S. government's fiscal years 2020 and 2019 consolidated financial statements. GAO's audit report is incorporated on page 226 in the enclosed *Fiscal Year 2020 Financial Report of the United States Government (2020 Financial Report)* prepared by the Secretary of the Treasury in coordination with the Director of the Office of Management and Budget (OMB).

To operate as effectively and efficiently as possible, Congress, the administration, and federal managers must have ready access to reliable and complete financial and performance information—both for individual federal entities and for the federal government as a whole. Our report on the U.S. government's consolidated financial statements for fiscal years 2020 and 2019 discusses progress that has been made 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.

The federal government took unprecedented actions in response to the Coronavirus Disease 2019 (COVID-19) pandemic to protect public health and reduce economic impacts on individuals and businesses in fiscal year 2020. These efforts are reflected in the assets, liabilities, net cost, and the budget deficit reported in the U.S. government's consolidated financial statements for fiscal year 2020.

Significant assets as of September 30, 2020, resulting from the federal government's response to the COVID-19 pandemic include

- equity investments in special purpose vehicles of \$108 billion, which the Federal Reserve established to enhance the liquidity of the U.S. financial system;
- advances of \$173 billion to state, local, territorial, and tribal governments and Medicare providers;
- almost all of the \$181 billion in disaster loans; and

- cash and other monetary assets of \$1,927 billion, up from \$525 billion as of September 30, 2019.¹

In addition, loan guarantee liabilities increased to \$520 billion as of September 30, 2020, from \$22 billion as of September 30, 2019, primarily because of Paycheck Protection Program (PPP) lending established in response to the COVID-19 pandemic.

Major increases in net cost resulting from the federal government's response to the COVID-19 pandemic include costs related to small business loan guarantees, primarily PPP, of \$527 billion; economic impact payments of \$275 billion; and income maintenance program costs of \$461 billion, primarily due to unemployment benefits. COVID-19 pandemic-related budget expenditures totaled \$1.6 trillion during fiscal year 2020, increasing the budget deficit. Because of the ongoing deficit, increases in cash and other monetary assets, and COVID-19 pandemic-related spending, federal debt held by the public increased by \$4.2 trillion during fiscal year 2020.

Subsequent to fiscal year 2020, further legislation was enacted containing provisions that provided additional relief to address the continued impact of the COVID-19 pandemic.² The effects of this subsequent legislation are not reflected in the U.S. government's consolidated financial statements for fiscal year 2020. The ultimate cost of these actions and any future actions in response to the pandemic and their impact on the federal government's financial condition will not be fully known for some time.

Our audit report on the U.S. government's consolidated financial statements is enclosed. In summary, we found the following:

Certain material weaknesses³ in internal control over financial reporting and other limitations resulted in conditions that prevented us from expressing an opinion on the accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2020, and 2019.⁴ About 23 percent of the federal government's reported total assets as of September 30, 2020, and approximately 19 percent of the federal government's reported net cost for fiscal year 2020 relate to significant federal entities that received a disclaimer of

¹As discussed in Note 2 of the *2020 Financial Report*, the increase in cash and other monetary assets was due to Treasury maintaining an elevated cash balance to maintain prudent liquidity in light of the size and relative uncertainty of COVID-19-related outflow.

²Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (Dec. 27, 2020); and American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4 (Mar. 11, 2021).

³A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

⁴The accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2020, and 2019, consist of the (1) Statements of Net Cost, (2) Statements of Operations and Changes in Net Position, (3) Reconciliations of Net Operating Cost and Budget Deficit, (4) Statements of Changes in Cash Balance from Budget and Other Activities, and (5) Balance Sheets, including the related notes to these financial statements. Most revenues are recorded on a modified cash basis.

opinion⁵ on their fiscal year 2020 financial statements or whose fiscal year 2020 financial information was unaudited.⁶

Significant uncertainties (discussed in Note 23 to the consolidated financial statements), primarily related to the achievement of projected reductions in Medicare cost growth, prevented us from expressing an opinion on the sustainability financial statements,⁷ which consist of the 2020 and 2019 Statements of Long-Term Fiscal Projections;⁸ the 2020, 2019, 2018, 2017, and 2016 Statements of Social Insurance;⁹ and the 2020 and 2019 Statements of Changes in Social Insurance Amounts. About \$45.7 trillion, or 70 percent, of the reported total present value of future expenditures in excess of future revenue presented in the 2020 Statement of Social Insurance relates to Medicare programs reported in the Department of Health and Human Services' 2020 Statement of Social Insurance, which received a disclaimer of opinion. A material weakness in internal control also prevented us from expressing an opinion on the 2020 and 2019 Statements of Long-Term Fiscal Projections. Material weaknesses resulted in ineffective internal control over financial reporting for fiscal year 2020.

- Material weaknesses and other scope limitations, discussed above, limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2020.

Overall, the federal government has made significant strides in improving financial management since key federal financial management reforms were enacted in the 1990s. Twenty-two of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies received unmodified (“clean”)

⁵A disclaimer of opinion arises when the auditor is unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive and accordingly does not express an opinion on the financial statements.

⁶The Department of Defense received disclaimers of opinion on its fiscal year 2020 and 2019 financial statements. The Small Business Administration received a disclaimer of opinion on its fiscal year 2020 financial statements. The Department of Housing and Urban Development received a qualified opinion on its fiscal year 2019 financial statements. A qualified opinion arises when the auditor is able to express an opinion on the financial statements except for specific areas where the auditor was unable to obtain sufficient and appropriate evidence. As of the date of our audit report, the audited Schedules of the General Fund of the U.S. Government for fiscal year 2020 were not issued. The fiscal year 2019 Schedules of the General Fund were not audited to allow the Department of the Treasury sufficient time to develop and begin to implement a remediation plan to address the issues we identified as part of our audit of the fiscal year 2018 Schedules of the General Fund. Also, for fiscal years 2020 and 2019, the financial information for Security Assistance Accounts was unaudited.

⁷The sustainability financial statements are based on projections of future receipts and spending, while the accrual-based consolidated financial statements are based on historical information, including the federal government's assets, liabilities, revenue, and net cost.

⁸The 2020 and 2019 Statements of Long-Term Fiscal Projections present, for all the activities of the federal government, the present value of projected receipts and noninterest spending under current policy without change, the relationship of these amounts to projected gross domestic product (GDP), and changes in the present value of projected receipts and noninterest spending from the prior year. These statements also present the fiscal gap, which is the combination of noninterest spending reductions and receipts increases necessary to hold debt held by the public as a share of GDP at the end of the projection period to its value at the beginning of the period. The valuation date for the Statements of Long-Term Fiscal Projections is September 30.

⁹Statements of Social Insurance are presented for the current year and each of the 4 preceding years as required by U.S. generally accepted accounting principles. For the Statements of Social Insurance, the valuation date is January 1 for the Social Security and Medicare programs, October 1 for the Railroad Retirement program, and September 30 for the Black Lung program.

opinions on their respective entities' fiscal year 2020 financial statements, up from six CFO Act agencies that received clean audit opinions for fiscal year 1996.¹⁰ In addition, accounting and financial reporting standards have continued to evolve to provide greater transparency and accountability over the federal government's operations, financial condition, and fiscal outlook. In August 2020, we highlighted the substantial progress made in federal financial management and identified several challenges that remain in fully achieving the vision of the CFO Act.¹¹ Areas where federal financial management can be enhanced include standardizing the responsibilities of chief financial officers, preparing government-wide and agency-level financial management plans, and better linking performance and cost information for decision-making.

While the U.S. government's consolidated financial statements provide a high-level summary of the financial position, financial condition, and operating results for the federal government as a whole, substantial benefits have been achieved as a result of agencies' preparation and audit of financial statements, including

- useful and necessary insight into government operations, including the agencies' financial conditions;
- increased federal agency accountability to Congress and citizens, including independent assurance about the reliability of reported financial information;
- greater confidence to stakeholders (governance officials, taxpayers, consumers, or regulated entities) that federal funds are being properly accounted for and assets are properly safeguarded;
- an assessment of the reliability and effectiveness of systems and related internal controls, including identifying control deficiencies that could lead to fraud, waste, or abuse;
- a focus on information security;
- early warnings of financial management issues; and
- identification of noncompliance with laws and regulations, which can present challenges to agency operations.

The preparation and audit of individual federal entities' financial statements have also identified numerous deficiencies, leading to corrective actions to strengthen federal entities' internal controls, processes, and systems. For instance, the Department of Housing and Urban Development took corrective actions to address deficiencies identified during its audits that enabled it to obtain a clean audit opinion on its fiscal year 2020 financial statements after receiving a qualified opinion on its fiscal year 2019 financial statements and receiving disclaimers of opinion on its financial statements for several years before that.

However, since the federal government began preparing consolidated financial statements over 20 years ago, three major impediments have continued to prevent us from rendering an opinion

¹⁰The 22 agencies include the Department of Health and Human Services, which received an unmodified ("clean") opinion on all statements except the Statements of Social Insurance and the Statements of Changes in Social Insurance Amounts.

¹¹GAO, *Federal Financial Management: Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Added Benefits*, [GAO-20-566](#) (Washington, D.C.: Aug. 6, 2020).

on the federal government's accrual-based consolidated financial statements: (1) serious financial management problems at the Department of Defense (DOD), (2) the federal government's inability to adequately account for intragovernmental activity and balances between federal entities, and (3) weaknesses in the federal government's process for preparing the consolidated financial statements. In addition, the Small Business Administration (SBA), which had substantial activity related to the COVID-19 pandemic response, received a disclaimer of opinion on its fiscal year 2020 financial statements, after years of receiving clean opinions.

DOD continues to take positive steps to improve its financial management, but faces long-standing issues. After many years of working toward financial statement audit readiness, DOD underwent full financial statement audits for fiscal years 2018 through 2020. These audits resulted in disclaimers of opinion, material weaknesses in internal control over financial reporting (25 in fiscal year 2019 and 26 in fiscal year 2020), and thousands of audit findings. Some of the material weaknesses—such as an inability to account for its property and equipment and ineffective information system controls—are examples of long-standing weaknesses that DOD has been unable to address.

DOD leadership identified a number of financial management-related benefits from these department-wide audits, as well as operational improvements. Specifically, DOD stated that some of the benefits of the audit process included the following:

- Inventories of real property resulted in improved accuracy of inventory records and redeployed maintenance costs.
- DOD enhanced its information technology efficiency by consolidating systems to reduce complexity, improve data flow, and improve internal controls. These efforts resulted in a savings of \$19 million in recurring maintenance costs for legacy systems.
- Inventory cleanup initiatives identified almost \$3 billion in materials that could be used for redeployment. As a result, DOD was able to use \$50 million of this material to fill over 12,000 requisitions.

DOD has acknowledged that achieving a clean audit opinion will take time. In fiscal year 2020, DOD management prioritized certain critical areas (e.g., information technology, real property, and inventory) for improvement. DOD reported that the number of audit findings closed and material weaknesses downgraded from year to year is the objective measure of progress toward that goal. DOD will also track progress by the number of components moving from disclaimers of opinion to clean opinions. For fiscal year 2020, while the number of overall audit findings increased, two material weaknesses were downgraded; 24 percent of findings from prior year financial statement audits were closed; and the Defense Information Systems Agency, a component of DOD, received a clean opinion, after years of receiving disclaimers of opinion.

Various efforts are also under way to address the other two major impediments to an audit of the consolidated financial statements. Regarding the government's inability to adequately account for intragovernmental activity and balances between federal entities, during fiscal year 2020, the Department of the Treasury (Treasury) continued to provide information and assistance to significant component entities to aid in resolving their intragovernmental

differences.¹² Treasury also issued additional guidance to federal entities related to accounting for intragovernmental transactions. Regarding weaknesses in the federal government's process for preparing the consolidated financial statements, in recent years, Treasury's corrective actions have included improving systems and implementing new processes for preparing the consolidated financial statements, enhancing guidance for collecting data from component entities, and implementing procedures to address certain internal control deficiencies detailed in our previously issued management report.¹³ In addition to Treasury's and OMB's continued leadership, federal entities' strong and sustained commitment is critical to fully addressing these issues.

SBA's auditor reported that the urgent need for SBA to implement COVID-19 pandemic-related programs as quickly and efficiently as possible led to deficiencies in internal control processes. SBA's auditor identified several material weaknesses in internal control related to PPP and disaster loans under the Economic Injury Disaster Loan (EIDL) program. These weaknesses included control deficiencies in SBA's loan and loan guarantee approvals, reporting and estimating costs for loan guarantees, and overseeing service providers for both programs. SBA's auditor made 29 recommendations to address these material weaknesses and 17 recommendations to address other internal control deficiencies. We, along with SBA's Office of Inspector General (OIG), have also reported concerns with SBA's internal controls over PPP and EIDL. Since June 2020, we have made three recommendations to SBA related to its COVID-19 pandemic programs, including that SBA take steps to ensure program integrity and identify and respond to risks, including fraud. SBA's OIG has also highlighted the need for strong oversight of these programs. SBA's deficiencies related to PPP and EIDL limit the reliability of SBA's financial reporting and increase the risk of fraud and improper payments.

The material weaknesses underlying these three major impediments, as well as the new weaknesses identified at SBA, (1) hamper the federal government's ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; (2) affect the federal government's ability to reliably measure the full cost, as well as the financial and nonfinancial performance, of certain programs and activities; (3) impair the federal government's ability to adequately safeguard significant assets and properly record various transactions; and (4) hinder the federal government from having reliable, useful, and timely financial information to operate effectively and efficiently. We have made a number of recommendations to OMB, Treasury, and DOD to address these issues.¹⁴ These entities have taken or plan to take actions to address these recommendations.

In addition to the material weaknesses referred to above, we identified two other material weaknesses. These are the federal government's inability to (1) determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them and (2) identify and resolve information security control deficiencies and manage

¹²OMB and Treasury have identified 40 federal entities that are significant to the U.S. government's fiscal year 2020 consolidated financial statements, including the 24 CFO Act agencies. See app. A of the *Fiscal Year 2020 Financial Report of the United States Government* for a list of the 40 entities.

¹³GAO, *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, [GAO-20-586](#) (Washington, D.C.: Aug. 25, 2020).

¹⁴See [GAO-20-586](#). In addition, see GAO, *DOD Financial Management*, accessed Mar. 17, 2021, https://www.gao.gov/highrisk/dod_financial_management. Further, other auditors have made recommendations to DOD and SBA for improving its financial management. In addition, see GAO, *High Risk Area: Emergency Loans for Small Businesses*, accessed Mar. 17, 2021, <https://www.gao.gov/highrisk/emergency-loans-small-businesses>.

information security risks on an ongoing basis. The fiscal year 2020 government-wide total of reported estimated improper payments was \$206 billion. Our audit report presents additional details concerning these material weaknesses and their effect on the accrual-based consolidated financial statements and managing federal government operations. Until the problems outlined in our audit report are adequately addressed, they will continue to have adverse implications for the federal government and the American people.

The 2020 Statement of Long-Term Fiscal Projections and related information in Note 24 and in the unaudited Required Supplementary Information section of the *2020 Financial Report* show that absent policy changes, the federal government continues to face an unsustainable long-term fiscal path. GAO and the Congressional Budget Office (CBO) also prepare long-term federal fiscal simulations, which continue to show federal debt held by the public rising as a share of gross domestic product (GDP) in the long term.¹⁵ This situation—in which debt grows faster than GDP—means the current federal fiscal path is unsustainable.

GAO, CBO, and the *2020 Financial Report*, although using somewhat different assumptions, all project that debt held by the public as a share of GDP will surpass its historical high (106 percent in 1946) in the next 4 to 10 years. Health care and Social Security remain key drivers of federal non-interest spending in the long-term projections. In addition, while interest rates are historically low, GAO, CBO, and the *2020 Financial Report* project growing debt will lead to higher spending on net interest (primarily interest on debt held by the public).

Congress and the administration have responded in an unprecedented manner to the COVID-19 pandemic and the resulting severe economic repercussions. This fiscal response and the economic repercussions generated a substantial increase in federal debt, further complicating our government's fiscal condition and outlook. Once the pandemic recedes and the economy substantially recovers, Congress and the administration should quickly pivot to developing an approach to place the federal government on a sustainable long-term fiscal path.

Since 2017, we have stated that a fiscal plan is needed to ensure that the United States remains in a strong economic position to meet its social and security needs, as well as to preserve flexibility to address unforeseen events like public health emergencies. In developing a fiscal plan at the appropriate time, policymakers will need to consider the entire range of federal activities, both revenue (including tax expenditures) and spending (entitlement programs, other mandatory spending, and discretionary spending) that affect the debt.¹⁶

Congress's efforts to improve the federal government's long-term fiscal path could benefit from well-designed fiscal rules and targets. Fiscal rules and targets can help manage debt by controlling factors like spending and revenue as part of a long-term fiscal plan. A variety of rules and targets exist, each with its own advantages and drawbacks, and governments can use a combination of rules to help address the deficiencies of any one particular rule. To help Congress in designing any rules and targets, in September 2020, we identified a number of key considerations based on a literature review and interviews with experts on fiscal policy and

¹⁵For more information on GAO's simulations, see GAO, *America's Fiscal Future*, accessed on Mar. 17, 2021, https://www.gao.gov/americas_fiscal_future. For more information on CBO's simulations, see Congressional Budget Office, *The 2021 Long-Term Budget Outlook* (Washington, D.C.: Mar. 4, 2021).

¹⁶Tax expenditures, as defined by law, are provisions of the federal tax code that reduce taxpayers' tax liability and therefore the amount of tax revenue paid to the federal government. Examples include tax credits, deductions, exclusions, exemptions, deferrals, and preferential tax rates. 2 U.S.C. § 622(3).

fiscal rules.¹⁷ We have also suggested that the long-term fiscal plan include fiscal rules and targets, such as a debt-to-GDP target.¹⁸ As part of the fiscal plan, Congress should consider its medium- and long-term fiscal goals and align those goals with annual budgets to form a consistent strategy.

We have also recommended that Congress consider alternative approaches to the current debt limit as part of any long-term fiscal plan. The debt limit is a legal limit on the total amount of federal debt that can be outstanding at one time.¹⁹ However, it does not restrict Congress's ability to pass spending and revenue legislation that affects the level of debt in the future, nor does it otherwise constrain fiscal policy. As currently structured, the debt limit is not a fiscal rule; it is a limit only on Treasury's authority to borrow in order to finance the decisions already enacted by Congress and the President.

The combination of the liquidity, depth, and safety of the U.S. Treasury market is unmatched in global markets. These characteristics make Treasury securities a unique and critical asset for a broad range of investors. Many investors accept low yields on Treasury securities because they are considered one of the safest assets in the world. This enables Treasury to keep borrowing costs low. By limiting Treasury's borrowing ability without restraining spending and revenue decisions, the debt limit as currently designed does not limit debt, but it does threaten investors' confidence in U.S. Treasury securities. Uncertainty over whether the debt limit will be raised or suspended leads to increased borrowing costs and disrupts the market for Treasury securities.²⁰ One cannot overstate the importance of preserving the confidence that investors have that debt backed by the full faith and credit of the United States will be honored.

Further, there are other risks, such as public health emergencies, cyberattacks, military engagements, and economic crises, that could affect the federal government's financial condition and its financial management in the future. These risks are not fully accounted for in the government's long-term fiscal projections. We discuss certain specific risks further in our annual report on the fiscal health of the federal government.²¹ Some of the specific risks that could affect the federal government's financial condition include the following:

¹⁷GAO, *The Nation's Fiscal Health: Effective Use of Fiscal Rules and Targets*, [GAO-20-561](#) (Washington, D.C.: Sept. 23, 2020).

¹⁸GAO, *The Nation's Fiscal Health: Information on the Spending and Revenue Implications of Potential Debt Targets*, [GAO-21-211](#) (Washington, D.C.: Dec. 15, 2020).

¹⁹The debt limit is codified at 31 U.S.C. § 3101(b), as amended, and applies to federal debt issued pursuant to authority under 31 U.S.C. chapter 31. A very small amount of total federal debt is not subject to the debt limit. This amount primarily comprises unamortized discounts on Treasury bills and Zero Coupon Treasury bonds; debt securities issued by agencies other than Treasury, such as the Tennessee Valley Authority; and debt securities issued by the Federal Financing Bank. The Bipartisan Budget Act of 2019 temporarily suspended the debt limit through July 31, 2021. Pub. L. No. 116-37, § 301, 133 Stat. 1049, 1057 (Aug. 2, 2019), *reprinted in* 31 U.S.C. § 3101 note.

²⁰See GAO, *Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches*, [GAO-15-476](#) (Washington, D.C.: July 9, 2015), and *Federal Debt Management: Treasury Should Strengthen Policies for Market Outreach and Analysis to Maintain Broad-Based Demand for Securities*, [GAO-20-131](#) (Washington, D.C.: Dec. 5, 2019).

²¹GAO, *The Nation's Fiscal Health: After Pandemic Recovery, Focus Needed on Achieving Long-Term Fiscal Sustainability*, [GAO-21-275SP](#) (Washington, D.C.: Mar. 23, 2021).

- Federal support of the housing finance market remains significant even though the market has largely recovered since the 2007 to 2009 financial crisis. In 2008, the federal government placed the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) under conservatorship and entered into preferred stock purchase agreements with these government-sponsored enterprises (GSE) to help ensure their financial stability. These agreements could affect the federal government's financial condition. At the end of fiscal year 2020, the federal government reported about \$109 billion of investments in the GSEs, which is net of about \$118 billion in valuation losses. The GSEs paid Treasury no cash dividends during fiscal year 2020 and \$15 billion during fiscal year 2019, respectively. The reported maximum remaining contractual commitment to the GSEs, if needed, is about \$254 billion.
- Disaster costs are projected to increase as extreme weather events become more frequent and intense because of climate change as observed and projected by the U.S. Global Change Research Program and the National Academies of Sciences, Engineering, and Medicine. Federal insurance programs are also likely to be affected by the increasing costs of weather and climate disasters. For example, as currently structured, the National Flood Insurance Program's premiums and dedicated resources are not, over the long term, sufficient to cover expected costs without borrowing from Treasury.²² As of September 30, 2020, the Federal Emergency Management Agency (FEMA), which administers the National Flood Insurance Program, owed about \$21 billion to Treasury for money borrowed to pay claims and other expenses. We have reported that FEMA is unlikely to collect enough in premiums in the future to repay this debt.²³

The U.S. Postal Service (USPS) continues to be in poor financial condition. USPS cannot fund its current level of services and meet its financial obligations from its current level of revenues. The fiscal year 2020 net loss of \$9.2 billion marked its 14th consecutive year of net losses—totaling \$87 billion. In addition, USPS has missed \$63.3 billion in required payments for postal retiree health and pension benefits through fiscal year 2020, including \$51.9 billion in missed payments for retiree health benefits and \$11.4 billion in missed payments for pension benefits. USPS stated that it missed these payments to minimize the risk of running out of cash.

Every 2 years, GAO provides Congress with an update on its High Risk Series, which highlights federal entities and program areas that are at high risk because of their vulnerabilities to fraud, waste, abuse, and mismanagement or are most in need of broad reform. We issued our most recently updated High Risk Series on March 2, 2021.²⁴ GAO's High Risk Series includes most of the above-noted issues, such as DOD financial management, federal government information security, resolving the federal role in housing finance, the National Flood Insurance Program, and USPS financial viability. In addition, because of SBA's limited controls over PPP and EIDL

²²We have suggested an alternative way to record insurance commitments in the budget such that the federal government's commitment would be more fully recognized. See GAO, *Fiscal Exposures: Federal Insurance and Other Activities That Transfer Risk or Losses to the Government*, [GAO-19-353](#) (Washington, D.C.: Mar. 27, 2019).

²³GAO, *Flood Insurance: Comprehensive Reform Could Improve Solvency and Enhance Resilience*, [GAO-17-425](#) (Washington, D.C.: Apr. 27, 2017).

²⁴See GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

approvals and the lack of finalized oversight plans to identify and respond to risks, we added SBA Emergency Loans for Small Businesses as a new high-risk area.

Our audit report on the U.S. government's consolidated financial statements would not be possible without the commitment and professionalism of inspectors general throughout the federal government who are responsible for annually auditing the financial statements of individual federal entities. We also appreciate the cooperation and assistance of Treasury and OMB officials as well as the federal entities' chief financial officers' flexibility, adaptability, and ability to issue their financial statements on a timely basis. We look forward to continuing to work with these individuals, the administration, and Congress to achieve the goals and objectives of federal financial management reform.

Our guide, *Understanding the Financial Report of the United States Government*, is intended to help those who seek to obtain a better understanding of the financial report and is available on GAO's website at <https://www.gao.gov>.²⁵

We are sending copies of this report to the Majority and Minority Leaders of the U.S. Senate and House of Representatives, interested congressional committees, the Secretary of the Treasury, the Director of the Office of Management and Budget, and other agency officials. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

Our audit report was prepared under the direction of Robert F. Dacey, Chief Accountant, and Dawn B. Simpson, Director, Financial Management and Assurance. If you have any questions, please contact me on (202) 512-5500 or them on (202) 512-3406. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.



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²⁵GAO, *Understanding the Financial Report of the United States Government*, [GAO-18-239SP](#) (Washington, D.C.: Feb. 2018).