



July 2024

# U.S. CONSOLIDATED FINANCIAL STATEMENTS

## Continued Improvements Needed in Treasury and OMB Preparation Process Controls

# 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](mailto:simpsondb@gao.gov).

July 2024

# 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.

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## Abbreviations

BAR	budget and accrual reconciliation
CFS	consolidated financial statements of the U.S. government
EDA	entity data analysis
General Fund	General Fund of the U.S. Government
GLID	General Ledger and Intragovernmental Transaction Division
OMB	Office of Management and Budget
TIA	treaties and other international agreements
U.S. GAAP	U.S. generally accepted accounting principles

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July 10, 2024

The Honorable Janet Yellen  
Secretary of the Treasury

The Honorable Shalanda Young  
Director  
Office of Management and Budget

In our February 2024 report on the results of our audits of the fiscal years 2023 and 2022 consolidated financial statements of the U.S. government (CFS), we disclaimed an opinion on the federal government's accrual-based consolidated financial statements and on its sustainability financial statements.<sup>1</sup> Since our first audit of the CFS, for fiscal year 1997, certain material weaknesses<sup>2</sup> in internal control over financial reporting and other limitations on the scope of our work have resulted in conditions that prevented us from expressing an opinion on the federal government's accrual-based consolidated financial statements.<sup>3</sup> We described these material weaknesses in our report on the audit of the fiscal year 2023

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<sup>1</sup>The CFS as of and for the fiscal years ended September 30, 2023, and 2022, consist of the accrual-based consolidated financial statements (Statements of Net Cost, Statements of Operations and Changes in Net Position, Reconciliations of Net Operating Cost and Budget Deficit, Statements of Changes in Cash Balance from Budget and Other Activities, and Balance Sheets, including the related notes to these financial statements) and the sustainability financial statements (2023 and 2022 Statements of Long-Term Fiscal Projections; 2023, 2022, 2021, 2020, and 2019 Statements of Social Insurance; and 2023 and 2022 Statements of Changes in Social Insurance Amounts, including the related notes to these financial statements). See GAO, *Financial Audit: FY 2023 and FY 2022 Consolidated Financial Statements of the U.S. Government*, [GAO-24-106660](#) (Washington, D.C.: Feb. 15, 2024).

<sup>2</sup>A 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.

<sup>3</sup>We have reported that significant uncertainties prevented us from expressing an opinion on the sustainability financial statements (Statements of Social Insurance for fiscal years 2010 through 2023 and Statements of Long-Term Fiscal Projections for fiscal years 2015 through 2023). The Statements of Social Insurance were first presented for fiscal year 2006, and the Statements of Long-Term Fiscal Projections were first presented for fiscal year 2015.

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CFS.<sup>4</sup> Other auditors also reported, in their audit reports on individual federal entities' financial statements, internal control deficiencies related to several of these material weaknesses, along with related recommendations.

Several of these material weaknesses described in our audit report related to the federal government's processes used to prepare the CFS.<sup>5</sup> Such material weaknesses 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.

The Secretary of the Treasury, in coordination with the Director of the Office of Management and Budget (OMB), prepares, on behalf of the federal government, the *Financial Report of the United States Government*, which includes the CFS.<sup>6</sup> The objective of this report is to provide the status of corrective actions that the Department of the Treasury and OMB have taken to address the 14 recommendations relating to the processes used to prepare the CFS that were detailed in our previous reports and remained open as of the completion of our fiscal

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<sup>4</sup>See [GAO-24-106660](#), app. II.

<sup>5</sup>Our February 2024 report also discussed material weaknesses and scope limitations that did not relate to the processes used to prepare the CFS but prevented us from expressing an opinion on the federal government's accrual-based consolidated financial statements (see [GAO-24-106660](#), app. II).

<sup>6</sup>The Government Management Reform Act of 1994 has required the preparation of the government-wide financial statements, covering the executive branch of the government, beginning with financial statements prepared for fiscal year 1997. See 31 U.S.C. § 331(e). The consolidated financial statements also include the legislative and judicial branches.

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year 2022 audit.<sup>7</sup> We are not making any new recommendations in this report.

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## Scope and Methodology

As part of our fiscal year 2023 CFS audit, we considered the federal government's financial reporting procedures and related internal controls over the processes used to prepare the CFS. We determined the status of corrective actions Treasury and OMB have taken to address recommendations, in our previous reports, that remained open as of the completion of our fiscal year 2022 audit (see app. I). A full discussion of our scope and methodology is included in our February 2024 report on the audit of the fiscal year 2023 CFS.<sup>8</sup> We have communicated the status of each of the recommendations discussed in this report with your staff. We performed our audit in accordance with U.S. generally accepted government auditing standards. We believe that our audit provides a reasonable basis for this report.

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## Status of Recommendations from Prior Reports

At the completion of our fiscal year 2022 audit, 14 recommendations were open from our prior reports regarding control deficiencies in the processes used to prepare the CFS. During our fiscal year 2023 CFS audit, we found that Treasury implemented corrective actions that resolved two deficiencies and three associated recommendations from our prior reports; we 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.

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<sup>7</sup>GAO, *U.S. Consolidated Financial Statements: Improvements Needed in Internal Controls over Treasury and OMB Preparation Processes*, [GAO-23-106707](#) (Washington, D.C.: Aug. 15, 2023).

<sup>8</sup>[GAO-24-106660](#).

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We also found that Treasury, in coordination with OMB, continued to make significant progress in resolving many of the remaining control deficiencies and associated recommendations from our prior reports. However, additional work is needed, and 11 recommendations remained open as of February 7, 2024, the date of our report on the audit of the fiscal year 2023 CFS. These control deficiencies contributed to the three material weaknesses that relate to the processes Treasury, in coordination with OMB, used to prepare the CFS. It is important that Treasury, in coordination with OMB, continue to take action to address the remaining 11 open recommendations.

Appendix I summarizes the status of the 14 recommendations from our prior years' reports according to Treasury and OMB, as well as our own assessment and additional comments, where appropriate. Treasury, in coordination with OMB, has various efforts under way to address these recommendations. As part of our fiscal year 2024 CFS audit, we will continue to monitor Treasury's and OMB's progress in addressing our open recommendations.

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## Concluding Observations

The annual preparation and audit of federal financial statements are critical to ensuring federal entity accountability and facilitating effective financial management. The deficiencies we identified in previous years' audits, and that remain open, increase the risk that material amounts and disclosures may not be presented in the CFS in accordance with U.S. GAAP. Taking actions to address these deficiencies would enhance federal government officials' and others' access to accurate and reliable financial data and, in turn, their ability to make more informed financial decisions. As part of our audit of the fiscal year 2024 CFS, we plan to follow up with Treasury to determine the status of corrective actions it has taken on our prior years' recommendations reported as open in this report (see app. I).

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## Agency Comments

We provided a draft of this report to Treasury and OMB for comment. In written comments, reproduced in appendix II, Treasury stated that it appreciates our perspective and will continue to focus its efforts on cost-beneficial solutions to resolve the material conditions precluding us from expressing an opinion on the CFS. In addition, Treasury described actions it will take, and has taken, to address certain open recommendations from our prior reports that are summarized in appendix I of this report. Treasury further indicated its ongoing commitment to improving federal financial reporting.



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In oral comments, OMB staff in the Office of Federal Financial Management stated that OMB generally agreed with the draft report and Treasury's written response. OMB noted that the current administration is committed to continuing to work with Treasury and federal agencies to achieve sound financial management across the federal government.

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We are sending copies of this report to appropriate congressional committees, the Fiscal Assistant Secretary of the Treasury, the Deputy Controller of the Office of Management and Budget's Office of Federal Financial Management, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

We acknowledge and appreciate the cooperation and assistance that Treasury and OMB staff members provided during our audit. If you or your staffs have any questions or wish to discuss this report, please contact me at (202) 512-3406 or [simpsondb@gao.gov](mailto:simpsondb@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made major contributions to this report are listed in appendix III.



Dawn B. Simpson  
Director  
Financial Management and Assurance

# Appendix I: Status of GAO's Prior Recommendations Related to the Processes Used to Prepare the CFS

Table 1 shows the status of GAO's prior year recommendations related to the processes the Department of the Treasury, in coordination with the Office of Management and Budget, used to prepare the consolidated financial statements of the U.S. government.

**Table 1: Status of GAO's Prior Recommendations Related to the Processes Used to Prepare the CFS**

Count	No.	Recommendation <sup>a</sup>	Status of recommendation <sup>b</sup>	
			Per Treasury and OMB	Per GAO
<b>GAO-13-540 (results from the fiscal year 2012 audit)</b>				
1	12-04	The Secretary of the Treasury should direct the Fiscal Assistant Secretary, working in coordination with the Controller of OMB's Office of Federal Financial Management, to establish and implement effective procedures for reporting amounts in the CFS budget statements that are fully consistent with the underlying information in significant federal entities' audited financial statements and other financial data. (Reconciliation Statements material weakness)	The Department of the Treasury redirected its efforts from researching differences between Treasury and federal entity records of budget receipts and outlays to focusing on federal entities' BAR. This shift will optimize resource allocation and reduce entity burden. The BAR working group began in late March, collaborating with the U.S. Standard General Ledger team to develop a highly effective crosswalk, aiming for at least 90 percent effectiveness.	Open. Treasury continued to develop and improve its procedures for preparing the Reconciliation Statements, such as focusing on the BAR and issuing guidance. Treasury also continued to improve its process for accounting and reporting of transactions and balances for the General Fund, which provides information supporting one of the Reconciliation Statements. This included encouraging federal entities to fully utilize newly developed loan activity transaction codes and reviewing line items related to federal debt securities and other activity.  However, additional work is needed to (1) report amounts in the Reconciliation Statements that are fully consistent with the underlying information in significant entities' audited financial statements and other financial data and (2) determine the appropriate presentation for the reconciling items, which could affect the line items included on the statements.
2	12-05	The Secretary of the Treasury should direct the Fiscal Assistant Secretary, working in coordination with the Controller of OMB's Office of Federal Financial Management, to establish and implement effective procedures for identifying and reporting all items needed to prepare the CFS budget statements. (Reconciliation Statements material weakness)	See status of recommendation no. 12-04.	Open. See status of recommendation no.12-04.

**Appendix I: Status of GAO's Prior  
Recommendations Related to the Processes  
Used to Prepare the CFS**

Count	No.	Recommendation <sup>a</sup>	Status of recommendation <sup>b</sup>	
			Per Treasury and OMB	Per GAO
<b>GAO-14-543 (results from the fiscal year 2013 audit)</b>				
3	13-06	The Secretary of the Treasury should direct the Fiscal Assistant Secretary, working in coordination with the Controller of OMB, to establish and implement policies and procedures for accounting for and reporting all significant General Fund activity and balances, obtaining assurance on the reliability of the amounts, and reconciling the activity and balances between the General Fund and federal entities. (Intragovernmental material weakness)	Treasury has worked previously to develop the infrastructure to support the Schedules of the General Fund. In addition, Treasury developed an accounting model as well as a reporting format for the General Fund. Treasury also created a method for federal entities to identify and report their activity with the General Fund that has shown great results in reconciling intragovernmental activity with the General Fund. Treasury continues to work with federal entities to improve the traceability of amounts within the Schedules of the General Fund and obtain audit assurance on the activity and balances.	Open. Treasury continued to implement corrective actions to identify and trace transactions within the Schedules of the General Fund and work with federal entities to ensure proper usage of newly established transaction codes. However, intragovernmental differences remain, and further improvements are needed to account for and report all significant General Fund activity and balances, including obtaining audit assurance and reconciling with federal entity trading partners.
4	13-07	The Secretary of the Treasury should direct the Fiscal Assistant Secretary, working in coordination with the Controller of OMB, to establish a formalized process to require the performance of additional audit procedures specifically focused on intragovernmental activity and balances between federal entities to provide increased audit assurance over the reliability of such information. (Intragovernmental material weakness)	As a result of multiple ongoing initiatives established over the past few years, Treasury and OMB have seen a significant decrease in intragovernmental elimination differences submitted by federal entities. Treasury and OMB will continue to monitor the raw intragovernmental data from the entities. In the past couple years, Treasury has seen the need to obtain the proper assurance over the intragovernmental transactions processes and controls from the management and auditors at the federal entities. Treasury will continue work to update guidance and requirements to obtain the proper assurances from the federal entities.	Open. Progress was made, but we continued to note that amounts that federal entity trading partners reported to Treasury were not in agreement by significant amounts. A formalized process requiring that auditors perform additional audit procedures focused on intragovernmental activity and balances would help to address these unreconciled transactions.

**Appendix I: Status of GAO's Prior  
Recommendations Related to the Processes  
Used to Prepare the CFS**

Count	No.	Recommendation <sup>a</sup>	Status of recommendation <sup>b</sup>	
			Per Treasury and OMB	Per GAO
<b>GAO-20-586 (results from the fiscal year 2019 audit)</b>				
5	19-01	The Secretary of the Treasury should ensure that the Fiscal Assistant Secretary enhances Treasury's procedures for the aggregate analysis to consider the impact of all amounts not obtained from significant entity audited financial statements on the reliability of the CFS and use the results to determine if audit coverage is needed for any information. (Preparation material weakness)	Treasury improved processes around the audit coverage area and strengthened its year-end submission.	Closed. During our fiscal year 2023 audit, we determined that Treasury enhanced existing procedures and implemented new aggregate analysis procedures that sufficiently addressed this recommendation.
<b>GAO-22-105851 (results from the fiscal year 2021 audit)</b>				
6	21-01	The Fiscal Assistant Secretary of the Treasury should enhance existing policies and procedures to reasonably assure appropriate accounting and reporting for significant, unusual transactions or events, such as changes in legislation, affecting the CFS. (Preparation material weakness)	Treasury continues to work on a multipronged approach that will involve (1) working with the group within Treasury (Budget Appropriation and Analysis Section) designating warrants to be proactive on new or unusual legislation, (2) questioning entities on any new or unusual legislation, and (3) coordinating with OMB to update OMB Circular A-136, Financial Reporting Requirements, to include language concerning disclosure of new or unusual legislation.	Open.
7	21-02	The Fiscal Assistant Secretary of the Treasury should enhance Treasury's procedures for analyzing uncorrected misstatements to identify all known uncorrected misstatements, by line item and on all of the affected current year and prior year financial statements, during the CFS preparation process. (Preparation material weakness)	Treasury improved existing procedures to identify and analyze all prior year and current year uncorrected misstatements. For fiscal year 2024, further improvements will be added to the process to include additional analysis.	Open. Treasury developed corrective actions and began implementing new procedures for identifying and analyzing all known uncorrected misstatements for the current year. However, Treasury is still working on (1) full implementation of the new procedures and (2) enhancing its procedures for analyzing uncorrected misstatements identified in the current year that relate to prior year financial statements.
8	21-03	The Fiscal Assistant Secretary of the Treasury should enhance Treasury's procedures for analyzing uncorrected misstatements to consider the effect of uncorrected misstatements by line item and on all of the affected current year and prior year financial statement. (Preparation material weakness)	See the status of recommendation no. 21-02.	Open. See the status of recommendation no. 21-02.

**Appendix I: Status of GAO's Prior  
Recommendations Related to the Processes  
Used to Prepare the CFS**

<b>Status of recommendation<sup>b</sup></b>				
<b>Count</b>	<b>No.</b>	<b>Recommendation<sup>a</sup></b>	<b>Per Treasury and OMB</b>	<b>Per GAO</b>
9	21-05	The Fiscal Assistant Secretary of the Treasury should enhance existing policies and procedures to support CFS disclosure decisions related to explaining significant fluctuations and disaggregating line item components in note tables. (Preparation material weakness)	Treasury enhanced internal policies that showed disclosure thresholds for the financial statements and note disclosures. Treasury also updated the subject matter standard operating procedures with a new section regarding materiality. Treasury plans to create a new policy paper on disclosure threshold analysis in fiscal year 2024 and to update its general question checklist with an added column to indicate disclosure questions.	Open. Treasury developed a timeline and completed the initial steps for designing and implementing corrective actions to enhance its existing policies and procedures to address this recommendation. However, we continued to identify note disclosures that needed additional explanations for significant fluctuations.
<b>GAO-23-106707 (results from the fiscal year 2022 audit)</b>				
10	22-01	The Fiscal Assistant Secretary of the Treasury, in coordination with the working group, should develop and implement policies and procedures for identifying, at the time of entry into force, the TIAs that have contingencies, and for monitoring the TIAs that have contingencies for events that may give rise to the recognition of a contingent liability or disclosure of a contingency. (Preparation material weakness)	Treasury worked with the Department of State to provide sample populations of TIAs to determine the overall risk of missing commitments or contingencies. Going forward, Treasury will work with the Department of State to update its process to include new elements to identify, monitor, and determine responsible entities for TIAs that may give rise to the recognition of a contingent liability or disclosure of a contingency.	Open.
11	22-02	The Fiscal Assistant Secretary of the Treasury, in coordination with the working group, should develop and implement policies and procedures for determining, in coordination with applicable federal entities, in which reporting entity's financial statements to report any identified contingencies. (Preparation material weakness)	See the status of recommendation no. 22-01.	Open.
12	22-03	The Fiscal Assistant Secretary of the Treasury should enhance the EDA process to include detailed procedures for GLID to document the information that significant component entities submitted for inclusion in the CFS that does not link directly to information reported in the entities' audited financial statements. (Preparation material weakness)	Treasury updated policies and procedures designed to improve traceability and formalized communication protocols to address recommendations nos. 22-03 and 22-04.	Closed. We determined that Treasury enhanced the EDA procedures and implemented corrective actions that sufficiently addressed this recommendation.

**Appendix I: Status of GAO's Prior  
Recommendations Related to the Processes  
Used to Prepare the CFS**

Count	No.	Recommendation <sup>a</sup>	Status of recommendation <sup>b</sup>	
			Per Treasury and OMB	Per GAO
13	22-04	The Fiscal Assistant Secretary of the Treasury should develop and implement procedures for considering amounts identified through the EDA process that do not link directly to the significant component entities' audited financial statements as part of the aggregate analysis to determine their impact on the CFS. (Preparation material weakness)	See the status of recommendation no. 22-03.	Closed. We determined that Treasury developed and implemented EDA procedures that sufficiently addressed this recommendation.
14	22-05	The Fiscal Assistant Secretary of the Treasury should develop and implement procedures to annually determine the reliability of information used from sources other than significant component entities' audited financial statements to prepare the social insurance sections of the CFS. (Preparation material weakness)	Treasury developed and implemented some procedures to determine the reliability of some data used to prepare the social insurance sections of the CFS. For fiscal year 2024, further improvements will be added to the process.	Open.

Legend:

BAR = budget and accrual reconciliation

CFS = consolidated financial statements of the U.S. government

EDA = entity data analysis

General Fund = General Fund of the U.S. Government

GLID = General Ledger and Intragovernmental Transaction Division

OMB = Office of Management and Budget

TIA = treaties and other international agreements

Source: GAO, Treasury, and OMB. | GAO-24-107443

<sup>a</sup>The recommendations in our prior reports related to material weaknesses in the following areas:

**Intragovernmental:** The material weakness relates to the federal government's inability to adequately account for intragovernmental activity and balances between federal entities.

**Preparation:** The material weakness relates to the federal government's inability to 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.

**Reconciliation Statements:** The material weakness relates to the federal government's inability to 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.

<sup>b</sup>The status of the recommendations listed in the table is as of February 7, 2024, the date of our report on the audit of the fiscal year 2023 CFS.

# Appendix II: Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 25, 2024

Dawn B. Simpson  
Director, Financial Management and Assurance  
Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Simpson:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) draft Management Report (Report) on the Fiscal Year (FY) 2023 audit, GAO-24-107443, U.S. Consolidated Financial Statements (CFS): *Continued Improvements Needed in Treasury and OMB Preparation Process Controls*.

We appreciate GAO's perspective and look forward to building on our significant progress to date in pursuing resolution of the remaining substantial barriers to auditability of the *Financial Report of the U.S. Government (Financial Report)*. The Department of the Treasury's (Treasury) efforts in recent years have yielded closure of over 59 percent of outstanding prior year recommendations since FY 2015. Going forward and reflecting management's accountability to the reliable reporting of the Government's financial position, Treasury will continue to focus its efforts on cost-beneficial solutions that Treasury believes will yield the desired outcome - sufficiently resolving the material conditions that have precluded the full audit of the *Financial Report* since its inception in FY 1997.

We are pleased that the draft Report did not identify any new recommendations concerning the FY 2023 *Financial Report*. This demonstrates the effectiveness of the improved processes, collaboration, and strong internal controls that Treasury and OMB have leveraged to prepare and compile the *Financial Report*.

We are also pleased with the closure of three outstanding recommendations from prior years' reports. The remaining recommendations emphasize and articulate the three critical material weaknesses identified in the audit: (1) intra-governmental activity and balances; (2) preparation of the CFS; and (3) reconciliations of budget deficit to net operating cost and changes in cash balance.

Treasury continues to improve the reliability of the amounts in the Schedules of the General Fund of the U.S. Government. The General Fund has undergone three audits for FY 2018, FY 2020, and FY 2022, and all resulted in a disclaimer of opinion. However, Treasury continues to make significant improvements in: (1) improving the accounting for and reporting of

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**Appendix II: Comments from the Department  
of the Treasury**

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General Fund activity, and balances and (2) reducing the intra-governmental elimination differences between the General Fund and its trading partners. These differences totaled \$906 million in FY 2023, which is a decrease of approximately 13 percent compared to FY 2022. This decrease is consistent with the significant decrease (97 percent) in overall intra-governmental eliminations differences since FY 2016 (from \$1.37 trillion in FY 2016 to \$39 billion in FY 2023). The reporting on and audit of the General Fund represents a significant milestone as the lack of distinct and detailed accounting for the General Fund has been a long-standing issue contributing to all three of the aforementioned material weaknesses.

In addition, Treasury is very proud that the FY 2023 Financial Report Financial Statements were, for the first time since its inception in 1997, presented as materially balanced. This major milestone reflects many years of hard work, process improvements, and extensive collaboration with the federal agency community. We are very appreciative of GAO's acknowledgement of this major accomplishment. At the same time, we acknowledge that much work remains to remediate the long-standing intragovernmental eliminations weakness, as we will document in our forthcoming 2024 Financial Report Remediation Plan.

In addition, Treasury has, in recent years, significantly strengthened internal controls intended to address the long-standing material weaknesses pertaining to *Financial Report* compilation and preparation. Notably, the U.S. Chief Financial Officers (CFO) Council continues to support Treasury's efforts, in coordination with the Department of State, to implement corrective action plans to address GAO's recommendations concerning: (1) the identification, monitoring, and testing, of treaties that convey potential commitments or contingencies, and (2) the issuance of guidance to federal entities on the proper disclosures of treaty activity. Treasury has targeted completion of these efforts during FY 2024.

Finally, Treasury made great strides in validating material completeness of budgetary information included in the *Financial Report*, as well as the consistency of that information with federal entity reports. The focus during FY 2022 and FY 2023 had been on identifying the transaction-level data needed to improve traceability of governmentwide results to federal entity financial statement information and its use in calculating the U.S. Government's budget deficit. Federal entities began reporting this detailed level of data in FY 2021; however, Treasury continues to work with entities on its completeness and accuracy. The additional entity data will support the General Fund audit and, in so doing, provide assurance over the budget deficit amounts reported in the CFS. Treasury is prioritizing the budget and accrual reconciliation project and has met with several significant component entities to discuss differences and obstacles they have faced throughout their implementation process.



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**Appendix II: Comments from the Department  
of the Treasury**

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In conclusion, we appreciate GAO's partnership and continued support. Thank you again for the opportunity to review and comment on the Report. We look forward to working with you and your staff as we fulfill our ongoing commitment to improve federal financial reporting.

Sincerely,

*/s/ Renata Miskell*

Renata Miskell  
Deputy Assistant Secretary  
Accounting Policy and Financial  
Transparency

cc: Deidre A. Harrison

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Dawn B. Simpson, (202) 512-3406 or [simpsondb@gao.gov](mailto:simpsondb@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, the following individuals made major contributions to this report: Carolyn M. Voltz (Assistant Director), Taya R. Tasse (Auditor in Charge), and Shaun Williams.

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## GAO's Mission

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