



G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

MEDIA ADVISORY

GAO Again Disclaims An Opinion on U.S. Government's Financial Statements

WASHINGTON (December 15, 2005) – For the ninth straight year, the U.S. Government Accountability Office (GAO) is unable to provide an opinion as to whether the consolidated financial statements of the U.S. government are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

Comptroller General of the United States David M. Walker, who heads GAO, said material deficiencies in financial reporting and other matters in Fiscal Year 2005, most notably at the Department of Defense, “have resulted in conditions that prevent us from being able to render an opinion to the Congress and the American people.”

The *FY 2005 Financial Report of the United States Government*, which includes the consolidated financial statements and GAO’s audit report, is being released today by the Treasury Department. A copy is available at <http://www.gao.gov/financial/fy2005financialreport.html>

In the GAO’s audit report, Walker emphasized his concerns about the nation’s current financial condition and growing long-term fiscal imbalance. The report reads, in part:

“While we are unable to express an opinion on the U.S. government’s consolidated financial statements, several key items deserve emphasis. ... First, while the reported \$319 billion fiscal year 2005 unified budget deficit was significantly lower than the \$412 billion unified budget deficit in fiscal year 2004, it was still very high given current economic growth rates and the overall composition of federal spending.¹ Furthermore, the federal government’s reported net operating cost, which included expenses incurred during the year, increased to \$760 billion in fiscal year 2005 from \$616 billion in fiscal year 2004. Second, the U.S. government’s total

¹The reported on-budget deficits for fiscal years 2005 and 2004 were \$494 billion and \$567 billion, respectively. The transactions of the Postal Service and the Social Security trust funds are classified as off-budget. As such, their reported fiscal year 2005 and 2004 surpluses—\$2 billion and \$4 billion, respectively, for the Postal Service and \$173 billion and \$151 billion, respectively, for the Social Security trust funds—are excluded from the on-budget deficit but included in the unified budget deficit.

reported liabilities, net social insurance commitments² and other fiscal exposures continue to grow and now total more than \$46 trillion, representing close to four times current GDP and up from about \$20 trillion or two times GDP in 2000. Finally, while the nation's long-term fiscal imbalance continues to grow, the retirement of the 'baby boom' generation is closer to becoming a reality with the first wave of boomers eligible for early retirement under Social Security in 2008. Given these and other factors, it seems clear that the nation's current fiscal path is unsustainable and that tough choices by the President and the Congress are necessary in order to address the nation's large and growing long-term fiscal imbalance."

In its audit report, GAO concludes that the federal government did not maintain effective internal control over financial reporting and compliance. The audit report also outlines a number of material control weaknesses.

GAO recently issued a guide, *Understanding the Primary Components of the Annual Financial Report of the United States Government*, GAO-05-958SP. That special publication can be found at our website, www.gao.gov

For more information, contact GAO's Office of Public Affairs at (202) 512-4800.

###

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

²These amounts are calculated based on the present value of net social insurance obligations for a 75 year period computed on an open group basis.