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Comptroller General
of the United States

June 16, 2021

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Priority Open Recommendations: Department of the Treasury

Dear Madame Secretary:

The purpose of this letter is to provide an update on the overall status of the U.S. Department of the Treasury's implementation of GAO's recommendations and to call your personal attention to areas where open recommendations should be given high priority.[1]

In November 2020, we reported that on a government-wide basis, 77 percent of our recommendations made 4 years ago were implemented.[2] Treasury's implementation rate was 80 percent. As of June 2021, Treasury had 103 open recommendations, not including recommendations to the Internal Revenue Service (IRS), which are addressed in a separate letter to the Commissioner. We have sent a copy of that letter to your office. As operations return to normal from the Coronavirus Disease 2019 (COVID-19) pandemic, fully implementing these open recommendations could significantly improve Treasury's operations.

Since our April 2020 letter, Treasury has implemented 14 of our 31 open priority recommendations. Specifically, Treasury has:

- Made significant progress implementing the Digital Accountability and Transparency Act of 2014 (DATA Act), closing all four of our priority recommendations in this area.[3] For example, Treasury implemented a system to improve the completeness of agency data submissions and took multiple steps to provide the users of USAspending.gov with a fuller understanding of existing data limitations.

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[1]Priority open recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

[2]GAO, *Performance and Accountability Report: Fiscal Year 2020*, GAO-21-4SP (Washington, D.C.: November 2020).

[3]Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006 (FFATA). Pub. L. No. 109-282, 120 Stat. 1186 (Sept. 26, 2006), *codified at* 31 U.S.C. § 6101 note.

- Improved cybersecurity efforts by developing a cybersecurity risk management strategy that includes key elements identified in federal guidance and by establishing a process for conducting an organization-wide cybersecurity risk assessment.

- Implemented six recommendations for improving the processes used to prepare the U.S. government's consolidated financial statements and the Schedules of the General Fund.

- Convened a regulatory reform working group through its Financial Crimes Enforcement Network (FinCEN) and Office of Terrorism and Financial Intelligence and with federal banking and credit union regulators to identify ways to improve the efficiency and effectiveness of Bank Secrecy Act/Anti-Money Laundering regulations, supervision, and examinations.

- Coordinated with the Committee on Foreign Investment in the United States' member agencies about assessing their current and anticipated staffing requirements to account for the increase in the committee's workload. Treasury, as committee chair, approved requests from three agencies for additional support for staffing and other resources.

Treasury has 17 priority recommendations remaining from those we identified in our 2020 letter. We ask your attention on those remaining priority recommendations. We are also adding four new recommendations related to improving payment integrity and improving federal financial management (see enclosure for the list of recommendations).

The 21 priority recommendations fall into the following six areas.

1. Improving payment integrity. One recommendation in this area would improve payment integrity. In its fiscal year 2020 Agency Financial Report, Treasury reported an improper payment estimate of approximately $16 billion, or 24 percent of earned income tax credit (EITC) outlays of $68.2 billion. Over the last 5 years, the EITC estimated improper payment rate has averaged 24.4 percent. In April 2020, we recommended that Treasury update its strategy for addressing the root causes of EITC improper payments. This update should include coordinating with other agencies to identify potential strategies and data sources for determining EITC eligibility and developing legislative proposals as appropriate to help reduce EITC improper payments.[4]

Treasury neither agreed nor disagreed with this recommendation. Treasury stated that each year it indicates in its corrective action plan that IRS will continue to work with Treasury to develop legislative proposals that will improve refundable credit compliance and reduce erroneous payments. Treasury has not made legislative proposals to specifically help address EITC eligibility criteria issues. Additionally, Treasury's current strategy does not include identifying and proposing additional legislative changes needed to help reduce EITC improper payments. As of April 2021, Treasury informed us that it has nothing new to report on the status of this recommendation. Unless Treasury updates its strategy as we recommended, its ability to ensure its actions will reduce improper payments will be limited.

2. Improving cybersecurity. One recommendation is to improve cybersecurity. In February 2018, we recommended that Treasury consult with respective sector partners to develop methods for determining the level and type of adoption by entities across the financial services sector of the National Institute of Standards and Technology's *Framework for Improving Critical*

[4] 26 U.S.C. § 32.

Infrastructure Cybersecurity.[5] Treasury neither agreed nor disagreed but has established ongoing initiatives, such as developing common terminology for cyber terms. However, it has not developed methods to determine the level and type of framework adoption. Fully implementing our recommendation to gain a more comprehensive understanding of the framework's use by its critical infrastructure sector is essential to the success of cybersecurity protection efforts.

3. Improving information technology workforce planning. Two recommendations address information technology (IT) workforce planning shortfalls. In March 2019, we reported that Treasury likely miscategorized more than 1,000 positions performing IT management functions. We recommended that it take steps to review this and assign the appropriate work role codes as defined in the National Initiative for Cybersecurity Education's cybersecurity workforce framework. Treasury partially agreed and said that it plans to review and validate these codes by September 2021. Until Treasury implements this recommendation, it will continue to have unreliable information about its cybersecurity workforce.

We also recommended in November 2016 that Treasury implement eight key workforce planning activities, such as establishing and maintaining a workforce planning process. Treasury agreed and has fully implemented two activities to date: developing competency and staffing requirements and assessing competency and staffing needs regularly. Fully implementing the remaining six activities—including establishing a workforce planning process and assessing gaps in competencies—would ensure that Treasury has the necessary knowledge, skills, and abilities to execute a range of management functions that support the agency's mission and goals.

4. Modernizing the U.S. financial regulatory system. One recommendation in this area would help modernize the complex U.S. financial regulatory system, where responsibilities are fragmented among a number of regulators with overlapping authorities. In December 2018, we recommended that the Comptroller of the Currency should, in coordination with other federal banking regulators and the Consumer Financial Protection Bureau (collectively referred to as the agencies), communicate to banks that engage in third-party relationships with financial technology lenders about issues to consider when selecting types of alternative data to use in the underwriting process.

The Comptroller of the Currency agreed, and in December 2019, the agencies issued a joint statement that highlights the potential benefits and risks of using alternative data and encourages firms to use the data responsibly. To fully implement this recommendation, the agencies should provide more specific direction on using alternative data in credit underwriting. Without clear written communication on this point, banks partnering with financial technology lenders may not effectively manage associated risks, including compliance with fair lending and other consumer protection laws.

5. Improving federal financial management. Fourteen recommendations are related to long-standing material weaknesses we have identified in the processes used to prepare the consolidated financial statements of the U.S. government and deficiencies identified during our first audit of the Schedules of the General Fund. We made these recommendations between October 2003 and August 2020. Treasury agreed with all of these recommendations and expressed its commitment to addressing these deficiencies. Congress, the administration, and

[5]National Institute of Standards and Technology, *Framework for Improving Critical Infrastructure Cybersecurity* (Gaithersburg, MD: Feb. 12, 2014).

federal managers must have ready access to reliable and complete financial and performance information. For the federal government to operate as effectively as possible and to have the information needed to make necessary and difficult decisions to address its financial challenges, federal financial management needs to be improved.

These material weaknesses have contributed to us being unable to express an opinion on the consolidated financial statements for the U.S. government. The weaknesses relate to (1) accounting for intragovernmental activity and balances, (2) preparing the consolidated financial statements, and (3) reconciling the budget deficit to net operating cost and changes in cash balance. Treasury needs to address these long-standing material weaknesses by continuing to update corrective action plans and implement corrective actions with support from the Office of Management and Budget (OMB).

6. Evaluating the performance and effectiveness of tax expenditures. Two recommendations are aimed at assessing whether tax expenditures are accomplishing their objectives. First, we recommended in September 2005 that Treasury focus on developing and implementing a framework for conducting performance reviews of tax expenditures. Many tax expenditures function as spending programs, although with less transparency, and do not compete openly in the annual budget process. Treasury did not comment on this recommendation and has not taken action to date. We continue to believe that a framework for evaluating tax expenditures could help identify redundancies in related tax and spending programs. It can also help determine how well specific tax expenditures work to achieve their goals and how their benefits and costs compare to other programs with similar goals.

Second, in July 2014, we recommended that Treasury issue guidance on how funding or assistance from other government programs can be combined with the New Markets Tax Credit (NMTC), including the extent to which other government funds can be used to leverage this credit.[6] While officials from Treasury's Community Development Financial Institutions Fund neither agreed nor disagreed, they shared plans to solicit public comments on collecting additional data that could help identify NMTC-financed projects that may have excessive public funding. The plan, which has not yet been implemented, includes issuing further guidance to help ensure that Treasury has controls to limit the risk of unnecessary duplication in government subsidies or above-market rates of returns on NMTC projects.

In March 2021 we issued our biennial update to our High-Risk List, which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.[7]

Two of our high-risk areas, modernizing the U.S. financial regulatory system and enforcement of tax laws, center directly on Treasury. While there are currently no priority recommendations for Treasury related to the housing finance system, that issue is on our High-Risk List. Resolving the federal role in housing finance will require leadership commitment and action by Congress and Treasury. Treasury provided significant capital support to Fannie Mae and Freddie Mac

[6] 26 U.S.C. § 45D.

[7] 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).

following the 2007-2009 financial crisis and their futures remain uncertain with billions of federal dollars at risk.

Several other government-wide high-risk areas also have direct implications for Treasury and its operation. These include (1) ensuring the cybersecurity of the nation,[8] (2) improving the management of IT acquisitions and operations, (3) strategic human capital management, (4) managing federal real property, and (5) government-wide security clearance process. We urge your attention to the two high-risk issues that center directly on Treasury and the government-wide issues as they relate to Treasury. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, OMB, and the leadership and staff in agencies, including Treasury.

Copies of this letter are being sent to the Director of OMB and appropriate congressional committees including the Committees on Appropriations, Budget, Finance, and Homeland Security and Governmental Affairs, United States Senate; and the Committees on Appropriations, Budget, Oversight and Reform, and Ways and Means, United States House of Representatives.

In addition, the letter will be available on the GAO website at http://www.gao.gov.

I appreciate Treasury's commitment to these important issues especially during this exceedingly challenging time. If you have any questions or would like to discuss any of the issues outlined in the letter, please do not hesitate to contact me or Michelle Sager, Managing Director, Strategic Issues, at sagerm@gao.gov or 202-512-6806. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Our teams will continue to coordinate with your staff on all of the 103 open recommendations, as well as those additional recommendations in the high-risk areas for which Treasury has a leading role. Thank you for your attention to these matters.

Sincerely yours,

Gene L. Dodaro
Comptroller General of the United States

Enclosure –1

[8]With regard to cybersecurity, we also urge you to use foundational information and communications technology supply chain risk management practices set forth in our December 2020 report: GAO, *Information Technology: Federal Agencies Need to Take Urgent Action to Manage Supply Chain Risks,* GAO-21-171 (Washington, D.C.: Dec. 15, 2020).

cc: The Honorable Wally Adeyemo, Deputy Secretary, Treasury
The Honorable David Lebryk, Fiscal Assistant Secretary, Treasury
The Honorable Shalanda Young, Acting Director, OMB
The Honorable Charles P. Rettig, Commissioner, IRS
The Honorable Michael Mosier, Acting Director, FinCEN
The Honorable Dino Falaschetti, Director, OFR

Enclosure

Priority Open Recommendations to the Department of the Treasury

Improving Payment Integrity

Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments. GAO-20-336. Washington, D.C.: April 1, 2020.

Recommendation: The Secretary of the Treasury should update Treasury's strategy for addressing the root causes of Earned Income Tax Credit (EITC) improper payments to include (1) coordinating with other agencies to identify potential strategies and data sources that may help in determining EITC eligibility and (2) determining whether legislative changes are needed, and developing proposals as appropriate, to help reduce EITC improper payments, such as those related to the inability to authenticate taxpayer eligibility.

Action needed: Treasury neither agreed nor disagreed with this recommendation. In its comments on our report, Treasury stated that each year it indicates in its corrective action plan that IRS will continue to work with Treasury to develop legislative proposals that will improve refundable credit compliance and reduce erroneous payments. Unless Treasury updates its strategy for addressing root causes of EITC improper payments as we recommended, Treasury's ability to ensure its actions will reduce improper payments will be limited.

High-risk area: Enforcement of Tax Laws

Director: Beryl H. Davis, Financial Management and Assurance
Contact information: davisbh@gao.gov or (202) 512-2623

Improving Cybersecurity

Critical Infrastructure Protection: Additional Actions Are Essential for Assessing Cybersecurity Framework Adoption. GAO-18-211. Washington, D.C.: February 15, 2018.

Recommendation: The Secretary of Treasury should take steps to consult with respective sector partner(s), such as the sector coordinating council, Department of Homeland Security, and the National Institute of Standards and Technology (NIST), as appropriate, to develop methods for determining the level and type of framework adoption by entities across their respective sector.

Action needed: Treasury neither agreed nor disagreed with this recommendation, stating that it does not have the authority to compel entities to share cybersecurity framework adoption data. As of March 2021, Treasury officials had yet to develop methods to determine the level and type of framework adoption. However, Treasury identified steps to facilitate and encourage framework use. Officials said they coordinated with the Financial and Banking Information

Infrastructure Committee and consulted with NIST to develop the Cybersecurity Lexicon to address common terminology used in the framework.

Additionally, in October 2018, the Financial Services sector, in consultation with NIST, created the Financial Service Sector Cybersecurity Profile, which mapped the framework to existing regulations and guidance.[9] While Treasury has ongoing initiatives in this area as of March 2021, fully implementing our recommendations to gain a more comprehensive understanding of the framework's use by critical infrastructure sectors is essential to the success of cybersecurity protection efforts.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Vijay A. D'Souza, Information Technology and Cybersecurity
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Improving Information Technology Workforce Planning

Cybersecurity Workforce: Agencies Need to Accurately Categorize Positions to Effectively Identify Critical Staffing Needs. GAO-19-144. Washington, D.C.: March 12, 2019.

Recommendation: To complete the appropriate assignment of codes to its positions performing IT, cybersecurity, or cyber-related functions, in accordance with the requirements of the Federal Cybersecurity Workforce Assessment Act of 2015, the Secretary of Treasury should take steps to review the assignment of the "000" code to any positions in the department in the 2210 IT management occupational series and assign the appropriate National Initiative for Cybersecurity Education framework work role codes.[10]

Action needed: Treasury partially concurred with the recommendation and stated that it planned to review and validate the work role codes of its information technology (IT), cybersecurity, or cyber-related positions by September 2021. Until it assigns work role codes that are consistent with the IT, cybersecurity, and cyber-related functions performed by these positions, Treasury will continue to have unreliable information about its cybersecurity workforce. The department needs this information to identify its workforce roles of critical need.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Dave Hinchman, Information Technology and Cybersecurity
Contact Information: HinchmanD@gao.gov or (214) 777-5719

IT Workforce: Key Practices Help Ensure Strong Integrated Program Teams; Selected Departments Need to Assess Skill Gaps. GAO-17-8. Washington, D.C.: November 30, 2016.

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[9]The profile was mapped to existing regulations and guidance. For example, see Commodity Futures Trading Commission, *System Safeguards Testing Requirements*, 81 FR 64271, (Washington D.C.: Sept. 19, 2016).

[10]Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, div. N, §§ 301–305, 129 Stat. 2242, 2975–2977 (Dec. 18, 2015).

Recommendation: To facilitate the analysis of gaps between current skills and future needs, the development of strategies for filling the gaps, and succession planning, the Secretary of the Treasury should require the Chief Information Officer, Chief Human Capital Officer, and other senior managers as appropriate to address the shortfalls in IT workforce planning, including the following actions:

- Establish and maintain a workforce planning process;
- Develop competency and staffing requirements for all positions;
- Assess competency and staffing needs regularly;
- Assess gaps in competencies and staffing for all components of the workforce;
- Develop strategies and plans to address gaps in competencies and staffing for all components of the workforce;
- Implement activities that address gaps, including a career path for program managers and special hiring authorities, if justified and cost effective;
- Monitor the department's progress in addressing competency and staffing gaps; and
- Report to department leadership on progress in addressing competency and staffing gaps for all components of the workforce.

Action needed: Treasury agreed with this recommendation. In October 2019, we reported that Treasury had fully implemented the activity to develop competency and staffing requirements.[11] In March 2021, Treasury also provided documentation demonstrating that it had fully implemented the activity to assess competency and staffing needs regularly. Specifically, Treasury provided an updated IT competency framework for its 2210 IT specialist staff. Moreover, Treasury stated that it plans to initiate a department-wide workforce study, including a competency assessment, by the end of fiscal year 2021. Until Treasury fully implements the remaining six activities, it is at increased risk of not having the IT staff with the necessary knowledge, skills, and abilities to support its mission and goals.

High-risk areas: Improving the Management of IT Acquisitions and Operations and Strategic Human Capital Management

Director: Carol C. Harris, Information Technology and Cybersecurity
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Modernizing the U.S. Financial Regulatory System

Financial Technology: Agencies Should Provide Clarification on Lenders' Use of Alternative Data. GAO-19-111. Washington, D.C.: December 19, 2018.

Recommendation: The Comptroller of the Currency should, in coordination with the other federal banking regulators and the Bureau of Consumer Financial Protection and with input from relevant stakeholders, communicate in writing to banks that engage in third-party relationships with financial technology (fintech) lenders on the appropriate use of alternative data in the underwriting process, including issues to consider when selecting types of alternative data to use.

[11]GAO*, Information Technology: Agencies Need to Fully Implement Key Workforce Planning Activities,* GAO-20-129 (Washington, D.C.: Oct. 30, 2019).

Action needed: The Comptroller of the Currency agreed with the recommendation. In December 2019, the Office of the Comptroller of the Currency (OCC), in coordination with other banking regulators and the Consumer Financial Protection Bureau (collectively referred to as the agencies), issued an interagency statement on the use of alternative data in credit underwriting. The statement highlights potential benefits and risks of using alternative data and encourages firms to use the data responsibly.

However, the statement does not provide firms or banks with specific direction on the use of alternative data. In April 2021, OCC stated that it has no further actions planned for coordinating with the other agencies on this recommendation. Without clear communication from banking regulators, banks partnering with financial technology lenders may not effectively manage all the associated risks, including compliance with fair lending and other consumer protection laws.

High-risk area: Modernizing the U.S. Financial Regulatory System

Director: Michael E. Clements, Financial Markets and Community Investment
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Improving Federal Financial Management

Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements. GAO-20-586. Washington, D.C.: August 25, 2020.

Recommendations: The Department of the Treasury should focus on recommendations related to the long-standing material weaknesses in the processes used to prepare the consolidated financial statements of the U.S. government.[12] In August 2020, we provided the status of corrective actions taken by Treasury, in coordination with the Office of Management and Budget (OMB), to address our recommendations and reported that 15 remained open at the beginning of the fiscal year 2020 audit of the U.S. government's consolidated financial statements.[13]

We completed our fiscal year 2020 audit in March 2021 and determined that sufficient corrective action had been taken to address three of the 15 recommendations open at the beginning of the audit. Accordingly, 12 of the 15 recommendations remain open.

Action needed: Treasury agreed with the 12 recommendations. Treasury and OMB should focus on addressing these 12 recommendations that contribute to long-standing material weaknesses related to (1) accounting for intragovernmental activity and balances, (2) preparing the consolidated financial statements, and (3) reconciling the budget deficit to net operating cost and changes in cash balance.

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[12]These recommendations are from GAO, *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); *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-14-543 (Washington, D.C.: June 19, 2014); *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-13-540 (Washington, D.C.: June 28, 2013); and *Financial Audit: Process for Preparing the Consolidated Financial Statements of the U.S. Government Needs Improvement*, GAO-04-45 (Washington, D.C.: Oct. 30, 2003).

[13]GAO-20-586.

In March 2021, Treasury and OMB officials expressed their continuing commitment to addressing these material weaknesses. We are encouraged by Treasury's and OMB's significant efforts in improving consolidated financial statement processes and working with federal entities to address these material weaknesses, as documented in Treasury and OMB's Remediation Plan for the *Financial Report of the U.S. Government*.[14] Treasury should continue working to address these long-standing material weaknesses by updating corrective action plans and implementing corrective actions with OMB's support.

Director: Dawn B. Simpson, Financial Management and Assurance
Contact information: simpsondb@gao.gov or (202) 512-3406

Financial Audit: Bureau of the Fiscal Service's Fiscal Year 2018 Schedules of the General Fund. GAO-19-185. Washington, D.C.: May 15, 2019.

Recommendations: We completed our fiscal year 2020 audit of the Schedules of the General Fund in March 2021 and determined that three of the five priority recommendations issued in our previous audit of the Schedules of the General Fund were closed. These three recommendations related to (1) the resolution of differences reported on the Schedules of the General Fund, and (2) validating beginning balances for the Liability for Fund Balance with Treasury accounts. The two priority recommendations that remain open as of March 2021 would improve Treasury's ability to identify and trace transactions to determine whether they were complete and properly recorded in the correct general ledger accounts and line items within the Schedules of the General Fund. Issues with traceability continued to contribute to our disclaimer of opinion in fiscal year 2020.

Action needed: Treasury agreed with the five priority recommendations and continues to make progress in remediating the two priority recommendations that remain open as of March 2021. Treasury is developing a long-term strategy to address the lack of traceability of transactions recorded in the Schedules of the General Fund general ledgers. This strategy includes

- coordinating with federal agencies on the level of transaction detail they report and identifying system limitations around the reporting of such detail;
- converting any remaining federal agencies to full Central Accounting Reporting System reporters, which is dependent on federal agency cooperation; and
- developing additional transaction codes that would provide more detailed information on transactions recorded in the Schedules of the General Fund.

Treasury plans to complete these two recommendations over the next 2 to 4 years, and we will continue to monitor Treasury's implementation.

Director: Anne Y. Sit-Williams, Financial Management and Assurance
Contact information: sitwilliamsa@gao.gov or (202) 512-7795

[14]Office of Management and Budget and Department of the Treasury, *Financial Report of the United States Government: Remediation Plan FY 2020* (Washington, D.C.: August 2020).

Evaluating the Performance and Effectiveness of Tax Expenditures

Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to be Reexamined. GAO-05-690. Washington, D.C.: September 23, 2005.

Recommendation: To ensure that policymakers and the public have the necessary information to make informed decisions and to improve the progress toward exercising greater scrutiny of tax expenditures, the Director of OMB, in consultation with the Secretary of the Treasury, should develop and implement a framework for conducting performance reviews of tax expenditures. In developing the framework, the Director should

- determine which agencies will have leadership responsibilities to review tax expenditures, how reviews will be coordinated among agencies with related responsibilities, and how to address the lack of credible performance information on tax expenditures;
- set a schedule for conducting tax expenditure evaluations;
- re-establish appropriate methods to test the overall evaluation framework and make improvements as experience is gained; and
- identify any additional resources that may be needed for tax expenditure reviews.

Action needed: At the time of our report, Treasury deferred to OMB. OMB agreed the recommendation had promise and that Treasury would be responsible for carrying out tax expenditure evaluations. Neither Treasury nor OMB had taken action on this recommendation as of March 2021. OMB has not reported progress on exploring options to develop an evaluation framework or its collaboration with Treasury. We continue to believe that Treasury should consult with OMB to develop and implement a framework for evaluating tax expenditures and preliminary performance measures. Such action would inform policy decisions about the efficiency, effectiveness, and equity of tax expenditures and help policymakers determine whether tax expenditures are the best tool for accomplishing federal objectives within a functional area.

Director: James R. McTigue, Jr., Strategic Issues
Contact information: mctiguej@gao.gov or (202) 512-6806

New Markets Tax Credit: Better Controls and Data Are Needed to Ensure Effectiveness. GAO-14-500. Washington, D.C.: July 10, 2014.

Recommendation: The Secretary of the Treasury should issue guidance on how funding or assistance from other government programs can be combined with the New Markets Tax Credit (NMTC). This includes the extent to which other government funds can be used to leverage the NMTC by being included in the qualified equity investment.

Action needed: While Treasury neither agreed nor disagreed with this recommendation, Community Development Financial Institutions (CFDI) Fund officials informed us in March 2021 that they plan to solicit public comments on additional data to be collected from the Community Development Entities. The CDFI Fund intends to use these data to identify NMTC-financed projects that may have excessive public funding. Once fully implemented, these additional actions would respond to the intent of our recommendation, and could help ensure that lowincome community projects do not receive more government assistance than required to finance a project.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue, Jr., Strategic Issues
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