GAO found deficiencies in the compilation and reporting process in the following areas:

- controls over the compilation process,
- unreconciled transactions affecting the change in net position,
- reconciliation of intragovernmental activity and balances,
- elimination of intragovernmental activity and balances,
- reconciliation of net operating costs and unified budget surplus (or deficit),
- statements of changes in cash balance from unified budget and other activities,
- defining and documenting of the reporting entity, and
- conformity with U.S. generally accepted accounting principles.

Another key deficiency in the compilation and reporting process for the CFS was the failure of the Department of the Treasury’s process for compiling the CFS to directly link information from federal agencies’ audited financial statements to amounts reported in the CFS (see figure below). Without this direct link, the information in the CFS may not be reliable. The lack of a direct link also affects the efficiency and effectiveness of the CFS audit. Treasury is designing a new compilation process that it expects to directly link this information beginning with the fiscal year 2004 CFS.

GAO identified three additional areas related to the compilation and reporting process for the CFS that warrant the attention of Treasury and the Office of Management and Budget: (1) management representation letters, (2) legal representation letters, and (3) information on treaties and other international agreements.

Lack of Direct Link between Audited Agency Financial Statements and the CFS

---

**Federal Agencies**

FederaId Agencies’ Centralized Trial Balance System (FACTS)

**Treasury**

Software to compile Consolidated Financial Report

**Consolidated Financial Statements**

Audited agency financial statements

Source: GAO.