

Why GAO Did This Study

Treasury, in coordination with OMB, prepares the *Financial Report of the United States Government*, which contains 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 2015 CFS audit, GAO identified material weaknesses and other control deficiencies in the processes used to prepare the CFS. The purpose of this report is to provide (1) details on new control deficiencies GAO identified related to the processes used to prepare the CFS, along with related recommendations, and (2) the status of corrective actions Treasury and OMB have taken to address GAO's prior recommendations relating to the processes used to prepare the CFS that remained open at the end of the fiscal year 2014 audit.

What GAO Recommends

GAO is making two recommendations to Treasury to address the control deficiencies identified during the fiscal year 2015 CFS audit. In commenting on GAO's draft report, Treasury concurred with GAO's two recommendations. Treasury also expressed its commitment towards improving federal financial reporting and stated that it will work collaboratively with OMB and the federal agency community to pursue mitigation and resolution of the remaining issues. OMB stated that the administration remains committed to achieving sound financial management across the federal government.

View [GAO-16-621](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov.

MANAGEMENT REPORT

Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements

What GAO Found

During its audit of the fiscal year 2015 consolidated financial statements of the U.S. government (CFS), GAO identified control deficiencies in the Department of the Treasury's (Treasury) and the Office of Management and Budget's (OMB) processes 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 and reconcile 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 Unified Budget Deficit and (2) Statements of Changes in Cash Balance from Unified Budget and Other Activities is complete and consistent with the underlying information in the audited entities' financial statements and other financial data.

During its audit of the fiscal year 2015 CFS, GAO identified two new internal control deficiencies. Specifically, GAO found that Treasury did not have sufficient procedures for

- verifying the accuracy of certain data transfers of federal entity-reported financial data used in the CFS preparation process and
- determining whether user accounts already exist before establishing or recertifying user accounts in certain federal financial systems used in the CFS preparation process to help ensure that users are not assigned incompatible roles.

In addition, GAO found that various other control deficiencies identified in previous years' audits with respect to the processes used to prepare the CFS were resolved or continued to exist. For 5 of the 27 recommendations from GAO's prior reports regarding control deficiencies in the processes used to prepare the CFS, Treasury implemented corrective actions during fiscal year 2015 that resolved the related control deficiencies, and as a result, these recommendations were closed. While progress was made, 22 of the 27 recommendations remained open as of February 17, 2016, the date of GAO's report on its audit of the fiscal year 2015 CFS. GAO will continue to monitor the status of corrective actions taken to address the 2 new recommendations made in this report as well as the 22 open recommendations from prior years as part of its fiscal year 2016 CFS audit.