

# GAO Highlights

Highlights of [GAO-17-524](#), a report to agency officials

## 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 2016 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 beginning of the fiscal year 2016 audit.

## What GAO Recommends

GAO is making three new recommendations—two to Treasury and one to both Treasury and OMB—to address the control deficiencies identified during the fiscal year 2016 CFS audit. In commenting on GAO's draft report, although Treasury neither agreed nor disagreed with GAO's recommendations, Treasury provided information on actions that it plans to take to address two recommendations, but stated that its current corrective action plans were effective for the third recommendation. GAO continues to believe that actions for this recommendation are needed as discussed in the report. OMB generally agreed with the findings in the report. View [GAO-17-524](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or [simpsondb@gao.gov](mailto:simpsondb@gao.gov).

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## 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 2016 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 2016 CFS, GAO identified three new internal control deficiencies.

- Treasury did not have sufficient procedures and metrics for monitoring the federal government's year-to-year progress in resolving intragovernmental differences at the federal entity level.
- Treasury did not have a sufficient process for working with federal entities to reduce or resolve the need for significant adjustments to federal entity data submitted for the CFS.
- Three of Treasury and OMB's corrective action plans did not include sufficient information to effectively address related control deficiencies involving processes used to prepare the CFS.

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 7 of the 24 recommendations from GAO's prior reports regarding control deficiencies in the processes used to prepare the CFS, Treasury implemented corrective actions during fiscal year 2016 that resolved the related control deficiencies, and as a result, these recommendations were closed. GAO closed 1 additional recommendation that related to corrective action plans, by making a new recommendation that is better aligned with the remaining internal control deficiency in this area. While progress was made, 16 of the 24 recommendations remained open as of January 4, 2017, the date of GAO's report on its audit of the fiscal year 2016 CFS. GAO will continue to monitor the status of corrective actions taken to address the 3 new recommendations made in this report as well as the 16 open recommendations from prior years as part of its fiscal year 2017 CFS audit.