

GAO Highlights

Highlights of [GAO-18-540](#), a report to agency officials

Why GAO Did This Study

The Secretary of the Treasury, in coordination with the Director of 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 2017 CFS audit, GAO identified material weaknesses and other continuing control deficiencies in the processes used to prepare the CFS. The purpose of this report is to provide the status of corrective actions that Treasury and OMB have taken to address GAO's prior recommendations related to the processes used to prepare the CFS that remained open as of January 4, 2017, the date of GAO's report on its audit of the fiscal year 2016 CFS.

What GAO Recommends

GAO is not making any new recommendations in this report. Treasury, in coordination with OMB, should continue to take action to address the remaining 14 open recommendations. In commenting on GAO's draft report, Treasury noted (1) that Treasury and OMB have improved processes and strengthened internal controls over the processes used to prepare the CFS and (2) its ongoing commitment to improving federal financial reporting. OMB generally agreed with the draft report and noted its continuing commitment to achieving sound financial management across the federal government.

View [GAO-18-540](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov.

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MANAGEMENT REPORT

Continued 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 2017 consolidated financial statements of the U.S. government (CFS), GAO identified continuing 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 Budget Deficit and (2) Statements of Changes in Cash Balance from Budget and Other Activities is complete and consistent with the underlying information in the audited entities' financial statements and other financial data.

As of the completion of GAO's fiscal year 2016 CFS audit, 19 recommendations were open from GAO's prior reports related to control deficiencies in the processes used to prepare the CFS. Treasury, in coordination with OMB, implemented corrective actions that resolved the control deficiencies related to 5 of the 19 recommendations, and as a result, GAO closed these 5 recommendations. While progress was made, 14 of the 19 recommendations remained open as of February 7, 2018, the date of GAO's report on its audit of the fiscal year 2017 CFS. GAO will continue to monitor the status of corrective actions taken to address the remaining 14 open recommendations from prior years as part of its fiscal year 2018 CFS audit.



Source: GAO. | GAO-18-540