U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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Comptroller General
of the United States

July 7, 2023

Accessible Version

The Honorable Janet L. 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 Madam Secretary:

This letter provides an update on the overall status of the U.S. Department of the Treasury's implementation of GAO's recommendations and calls your continued personal attention to areas where open recommendations should be given high priority.[1] In November 2022, we reported that, on a government-wide basis, 77 percent of our recommendations made 4 years ago were implemented.[2] Treasury's implementation rate over this period was 69 percent.

As of July 2023, Treasury had 157 open recommendations. This does not include recommendations made to the Internal Revenue Service (IRS) and the Office of the Comptroller of the Currency (OCC), which are addressed in separate letters. We will send copies of those letters to your office. Fully implementing these open recommendations could significantly improve Treasury's operations.

Since our May 2022 letter, Treasury has addressed seven of our 22 open priority recommendations, and we moved one priority open recommendation to a separate letter for OCC.[3]

- As of September 2022, Treasury designed and documented a risk-based compliance policy and other policies and procedures to monitor recipients' use of Coronavirus State and Local Fiscal Recovery Funds, as we recommended in our October 2021 report.[4] These policies and procedures will help provide assurance that recipient states and

[1]Priority 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 2022*, GAO-22-900398 (Washington, D.C.: Nov. 15, 2022).

[3]Our December 2018 recommendation to OCC is about financial technology (fintech) lenders' use of alternative data. See GAO, *Financial Technology: Agencies Should Provide Clarification on Lenders' Use of Alternative Data,* GAO-19-111 (Washington, D.C.: Dec. 19, 2018).

[4]GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response,* GAO-22-105051 (Washington, D.C.: Oct. 27, 2021).

localities are sufficiently managing funds in accordance with federal requirements, and reduces the risk that unallowable uses of funds will go undetected and uncorrected.

- As of February 2023, Treasury implemented corrective actions that addressed significant elements of five recommendations from our October 2003 report on the U.S. government's consolidated financial statements. Our recommendations were to reasonably assure that treaties and other international agreements are properly identified and reported.[5]

- As of March 2023, Treasury implemented several updates to USAspending.gov that improved the prominence and accessibility of information about the website's available data and any known limitations, as we recommended in December 2021.[6] These changes should increase users' knowledge and confidence about data on USAspending.gov and will reduce the risk that users draw inaccurate conclusions when viewing or analyzing available data.

We ask your continued attention on the remaining priority recommendations. This year, we are also adding 19 new recommendations related to program oversight and controls, cybersecurity and information privacy, the processes used to prepare financial statements of the U.S. government, and the timeliness of Social Security and Medicare Trust Fund reports. This brings the total number of priority recommendations to 33 (see enclosure for the list of recommendations).

The 33 priority recommendations fall into the following five areas.

Improving program oversight and controls. Implementing four priority recommendations in this area would improve Treasury's ability to oversee billions of dollars in COVID-19 Emergency Rental Assistance funds and assess the performance of tax expenditures. Improving data collection on Emergency Rental Assistance payments and developing additional processes such as post-payment reviews or recovery audits could strengthen Treasury's oversight of $46.55 billion in program funds. It could also provide a way to consistently identify and recover overpayments. Additionally, although tax expenditures are routinely used as a policy tool, they are not regularly reviewed and their outcomes are not measured as closely as spending programs' outcomes.

Ensuring cybersecurity and information privacy. Financial services are part of the nation's critical infrastructure that provides essential functions that underpin American society. The financial services sector's reliance on information technology makes it a leading target for cyber-based attacks. Implementing seven priority recommendations could help Treasury strengthen cybersecurity across the financial services sector, address cyber-related workforce planning shortfalls, and protect personally identifiable information held within agency systems. Three of our priority recommendations are for Treasury to work with other federal agencies and partners to better measure progress and prioritize efforts in line with sector cybersecurity goals. For example, Treasury should coordinate an update to the financial services sector-specific plan to

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[5]GAO, *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). Our forthcoming management report on our fiscal year 2022 audit will include recommendations to address remaining internal control deficiencies related to treaties and other international agreements.

[6]GAO, *Federal Spending Transparency: Opportunities Exist for Treasury to Further Improve USAspending.gov's Use and Usefulness,* GAO-22-104127 (Washington, D.C.: Dec. 16, 2021).

include metrics for measuring the progress of cyber risk mitigation efforts and information on how ongoing and planned risk mitigation efforts will meet sector goals and requirements. As a sector risk management agency for financial services, we urge you to implement these priority recommendations related to critical infrastructure protection.

Improving federal financial management. Complete and reliable financial information is essential for the federal government to operate as effectively and efficiently as possible. Twenty priority recommendations are related to serious weaknesses in the processes used to prepare the consolidated financial statements of the U.S. government and the Schedules of the General Fund. Since the federal government began preparing consolidated financial statements for fiscal year 1997, long-standing material weaknesses have contributed to our being unable to express an opinion on the consolidated financial statements of 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. Implementing priority recommendations in this area would improve the processes used to prepare the consolidated financial statements of the U.S. government and the Schedules of the General Fund. Improving these processes is important to help ensure that Congress, the administration, and federal managers have ready access to reliable and complete financial information.

Protecting workers' retirement savings. One priority recommendation focuses on re-evaluating vesting policies to help determine whether current policies are appropriate for today's mobile workforce. Vesting policies require employees to work for a certain period of time to keep employer contributions to their 401(k) retirement accounts. The current federal rules permitting up to a 6-year vesting period are 22 years old and may be outdated.[7] Implementing this recommendation could help policymakers make it easier for workers in today's mobile workforce to build retirement savings.

Improving the timeliness of Social Security and Medicare Trust Fund reports. One priority recommendation in this area is to establish a policy to inform congressional committees about expected delays in delivering the Social Security and Medicare Trust Fund annual reports. Treasury chairs the boards of trustees for Social Security and Medicare. It also helps develop annual reports for Congress on the financial status of the Social Security and Medicare trust funds. While the trustees took steps in 2023 to meet the April 1 statutory deadline for submitting the reports to Congress, they missed this deadline in 20 of 28 years from 1995 to 2022.[8] Implementing our recommendation would increase congressional awareness of reporting timelines and aid Congress's oversight of these important programs.

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In April 2023, 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.[9]

[7] 26 U.S.C. § 411(a)(2)(B); 29 U.S.C. § 1053(a)(2)(B).

[8] 42 U.S.C. §§ 401(c), 1395i(b), and 1395t(b).

[9] GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to be Maintained and Expanded to Fully Address All Areas*, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023).

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 also on our High-Risk List. Addressing open recommendations for resolving the federal role in housing finance will require leadership commitment and action by Congress and Treasury. Treasury provided significant capital support of Fannie Mae and Freddie Mac 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;[10] (2) improving the management of IT acquisitions and operations; (3) strategic human capital management; (4) managing federal real property; and (5) government-wide personnel security clearance process.

We urge your attention on 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, the Office of Management and Budget, and the leadership and staff in agencies, including within Treasury. In March 2022, we issued a report on key practices to successfully address high-risk areas, which can be a helpful resource as your agency continues to make progress to address high-risk issues.[11]

In addition to your continued attention on these issues, Congress plays a key role in providing oversight and maintaining focus on our recommendations to ensure they are implemented and produce their desired results. Legislation enacted in December 2022 includes a provision for GAO to identify any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues relating to such implementation.[12]

There are various strategies Congress can use in addressing our recommendations, such as incorporating them into legislation. Congress can also use its budget, appropriations, and oversight processes to incentivize executive branch agencies to act on our recommendations and monitor their progress. For example, Congress can hold hearings focused on Treasury's progress in implementing GAO's priority recommendations, withhold funds when appropriate, or take other actions to provide incentives for agencies to act. Moreover, Congress could follow up during the appropriations process and request periodic updates. Congress also plays a key role in addressing any underlying issues related to the implementation of these recommendations. For example, Congress could pass legislation providing an agency explicit authority to

[10]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).

[11]GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, GAO-22-105184 (Washington, D.C.: Mar. 3, 2022).

[12]James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 7211(a)(2), 136 Stat. 2395, 3668 (2022); H.R. Rep. No. 117-389 at 43 (2022) (accompanying Legislative Branch Appropriations Act, H.R. 8237, 117th Cong. (2022)).

implement a recommendation or requiring an agency to take certain actions to implement a recommendation.

Copies of this report are being sent to the Director of the Office of Management and Budget (OMB) and the appropriate congressional committees. In addition, the report will be available on the GAO website at http://www.gao.gov.

I appreciate Treasury's continued commitment to these important issues. If you have any questions or would like to discuss any of the issues outlined in this 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 157 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

cc: The Honorable Shalanda Young, Director, OMB
Wally Adeyemo, Deputy Secretary, Treasury
David Lebryk, Fiscal Assistant Secretary, Treasury
Anna Canfield Roth, Assistant Secretary for Management, Treasury
Danny Werfel, Commissioner, IRS
James Martin, Acting Director, Office of Financial Research

Enclosure

Priority Open Recommendations to Department of the Treasury

Improving Program Oversight and Controls

COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies. GAO-22-105291. Washington, D.C.: January 27, 2022.

Year recommendation made: 2022

Recommendation: The Secretary of the Treasury should design and implement processes, such as post-payment reviews or recovery audits, to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers in the Emergency Rental Assistance programs.

Action needed: Treasury agreed with our recommendation. Treasury stated that it is working to establish post-payment reviews and recovery audit activities within the schedule prescribed in its Implementation Guide for OMB Circular A-123 Appendix C: Requirements for Payment Integrity. In January 2023, Treasury provided documentation that shows it has designed monitoring procedures related to determining whether nonfederal entities appropriately disbursed Emergency Rental Assistance (ERA) program funds to households. However, we did not see evidence of monitoring procedures related to eligibility of households and Treasury's recovery efforts on funds provided to or on behalf of ineligible households.

To fully implement this recommendation, Treasury needs to have a process in place for conducting effective post-payment reviews or recovery audits to identify and recover ERA overpayments made by grantees. Until Treasury fully implements those processes, Treasury's ability to consistently identify and recover overpayments made by grantees—including those resulting from potential fraud—will be delayed or impossible.

Director: M. Hannah Padilla, Financial Management and Assurance
Contact information: padillah@gao.gov or (202) 512-5683

Director: Jill Naamane, Financial Markets and Community Investment
Contact information: naamanej@gao.gov or (202) 512-8678

Emergency Rental Assistance: Treasury's Oversight Is Limited by Incomplete Data and Risk Assessment. GAO-23-105410. Washington, D.C.: December 20, 2022.

Year recommendation made: 2023

Recommendation: The Chief of the Office of Recovery Programs should expediently collect complete and accurate data, including quarterly payment data and performance measures required by the Consolidated Appropriations Act, 2021.

Action needed: Treasury agreed with this recommendation. In November 2022, Treasury stated that the Office of Management and Budget (OMB) approved its guidance on closeout reporting requirements for grantees.[13] This guidance directs grantees to provide data that were missing or inaccurately reported from prior quarters. This closeout process provides Treasury with the opportunity to address the data collection and quality issues we identified in our report. However, to fully implement this recommendation, Treasury will need to continue working with grantees to collect complete and reliable data each quarter on an ongoing basis. Lack of complete and accurate data hinders Treasury and its Office of Inspector General from effectively evaluating the program for compliance with relevant laws and guidance.

Director: Jill Naamane, Financial Markets and Community Investment
Contact information: naamanej@gao.gov or (202) 512-8678

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.

Year recommendation made: 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 have taken action on this recommendation. As of December 2022, OMB does not plan to address it. 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 the approximately $1 trillion in annual tax expenditures. It would also help policymakers determine whether tax expenditures are the best tool for accomplishing federal objectives within a functional area.

[13]Pursuant to OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Federal awarding agencies, along with their grant recipients, must undergo a "closeout" process. This process requires, among other things, that grantees report to the federal awarding agency all financial, performance, and other reports as required by the terms and conditions of the federal award not later than 120 calendar days after the end date of the period of performance. Once a grantee completes all closeout requirements, the federal awarding agency must complete its own closeout actions for federal awards. 2 C.F.R. § 200.344. Treasury developed closeout reporting requirements for grantees in an effort to comply with 2 C.F.R. § 200.344.

Director: James R. McTigue, Jr., Strategic Issues
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New Markets Tax Credit: Better Controls and Data Are Needed to Ensure Effectiveness. GAO-14-500. Washington, D.C.: July 10, 2014.

Year recommendation made: 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: Treasury neither agreed nor disagreed with this recommendation. In February 2023, the Community Development Financial Institutions Fund published a notice in the *Federal Register* soliciting public comments on additional data to be collected from Community Development Entities.[14] These data could be used to identify NMTC-financed projects that may have excessive public funding. Finalizing this process and collecting the additional data would respond to the intent of our recommendation. These actions could help ensure that low-income 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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Ensuring Cybersecurity and Information Privacy

Critical Infrastructure Protection: Treasury Needs to Improve Tracking of Financial Sector Cybersecurity Risk Mitigation Efforts. GAO-20-631. Washington, D.C.: September 17, 2020.

Year recommendations made: 2020

Recommendation: Regarding financial sector cyber risk mitigation efforts, we recommend that the Secretary of the Treasury, in coordination with the Department of Homeland Security and other federal and nonfederal sector partners, track the content and progress of sectorwide cyber risk mitigation efforts, and prioritize their completion according to sector goals and priorities in the sector-specific plan.

Action needed: Treasury generally agreed with this recommendation. However, it had concerns with its authority to implement it, due to its limited authority to require regulators to supply data on cyber risk mitigation efforts, and legal and trust concerns with getting information from firms voluntarily. We responded to these concerns in our report. Treasury is ideally positioned to secure voluntary agreement from these groups to provide focused information on their cyber risk mitigation efforts. This, in turn, would help Treasury track and prioritize progress toward sector goals.

In January 2023, Treasury reported that it plans to discuss with the financial services sector the development of metrics on sector risk mitigation efforts and on the sector's adoption of the

[14] 88 Fed. Reg. 8340 (Feb. 8, 2023).

National Institute of Standards and Technology cybersecurity framework. Treasury also stated it plans to develop metrics on the sector's sharing of cyber threat information and measures regarding their effectiveness. As of May 2023, Treasury said it is planning implementation of a tool that may enable it to track sector risks and mitigation efforts, but that the tool's capabilities and uses were still in development. Without tracking and prioritizing efforts based on sector goals and priorities, Treasury and the financial sector will remain unable to determine the effectiveness of their efforts.

Recommendation: Regarding the financial sector-specific plan, we recommend that the Secretary of the Treasury, in coordination with the Department of Homeland Security and other federal and nonfederal sector partners, update the financial services sector-specific plan to include specific metrics for measuring the progress of risk mitigation efforts and information on how the sector's ongoing and planned risk mitigation efforts will meet sector goals and requirements, such as requirements for the financial services sector in the *National Cyber Strategy Implementation Plan*.

Action needed: Treasury generally agreed with the recommendation, but believed it should not be implemented until the Department of Homeland Security updates the National Infrastructure Protection Plan, now called the National Plan, to establish cross-sector priorities and provide guidance on sector-specific plans. However, we reported in February 2023 that there was no deadline for the National Plan to be updated. As of May 2023, Treasury officials said they do not see a benefit in updating their sector-specific plan in the interim. Nevertheless, we believe it would be feasible and beneficial for Treasury to develop an interim update to the current sector-specific plan on how ongoing efforts meet sector goals and priorities. Without sufficiently creating and documenting appropriate metrics, it will be difficult for Treasury to determine whether the financial sector's risk mitigation efforts will improve its cyber resilience.

High-risk areas: Ensuring the Cybersecurity of the Nation and Modernizing the U.S. Financial Regulatory System

Managing Director: Nick Marinos, Information Technology and Cybersecurity
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Director: Michael E. Clements, Financial Markets and Community Investment
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Critical Infrastructure Protection: Additional Actions Are Essential for Assessing Cybersecurity Framework Adoption. GAO-18-211. Washington, D.C.: February 15, 2018.

Year recommendation made: 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 (framework) adoption data. Treasury stated that the voluntary nature of private sector participation in sector risk management agency activities affects its ability to implement certain recommendations, but it plans to collaborate with the sector to develop methods to determine the level and type of framework adoption. As of January 2023, Treasury had not identified a time frame for completing these efforts. Although working across the sector may be challenging, implementing the recommendation to gain a more comprehensive understanding of the level and type of framework adoption by the critical infrastructure sector is essential to the success of cybersecurity protection efforts.

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

Cyber Insurance: Action Needed to Assess Potential Federal Response to Catastrophic Attacks. GAO-22-104256. Washington, D.C.: June 21, 2022.

Year recommendation made: 2022

Recommendation: The Director of the Federal Insurance Office should work with the Director of the Cybersecurity and Infrastructure Security Agency to produce a joint assessment for Congress on the extent to which the risks to the nation's critical infrastructure from catastrophic cyberattacks, and the potential financial exposures resulting from these risks, warrant a federal insurance response.

Action needed: Treasury agreed with this recommendation. In September 2022, Treasury published a request for information in the *Federal Register* to solicit comments from stakeholders on topics related to a potential federal insurance response to catastrophic cyber incidents.[15] It received 55 responses from a variety of organizations. As of February 2023, Treasury stated that it aims to complete an initial assessment of the potential need for a federal response to catastrophic cyber incidents by the end of 2023.

To fully implement this recommendation, Treasury needs to continue its stakeholder engagement and complete its initial assessment by its intended target date. Such an assessment could inform Congress in its deliberations related to addressing the increasing risk of catastrophic cyber incidents to U.S. critical infrastructure.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Jill Naamane, Financial Markets and Community Investment
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Director: Kevin Walsh, Information Technology and Cybersecurity
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Cybersecurity Workforce: Agencies Need to Accurately Categorize Positions to Effectively Identify Critical Staffing Needs. GAO-19-144. Washington, D.C.: March 12, 2019.

Year recommendation made: 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

[15] 87 Fed. Reg. 59161 (Sept. 29, 2022).

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.[16]

Action needed: Treasury partially concurred with the recommendation and stated that it planned to review and validate the work role codes of its IT, cybersecurity, or cyber-related positions. As of February 2023, the department had not yet provided sufficient evidence to demonstrate that it had completed its efforts to validate work role codes. To fully implement this recommendation, Treasury needs to assign work role codes consistent with the IT, cybersecurity, and cyber-related functions performed by these positions. Until Treasury completes this recommendation, it will continue to have unreliable information about its cybersecurity workforce.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Dave Hinchman, Information Technology and Cybersecurity
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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.

Year recommendation made: 2017

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. As of January 2023, Treasury had developed competency and staffing requirements and was assessing competency and staffing needs regularly. It has also assessed gaps in competencies and staffing and developed

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

strategies and plans to address those gaps. However, agency officials stated that they were delayed in implementing the remaining four activities due to staff turnover. They did not provide expected time frames for completion. Until Treasury fully implements those remaining four activities, it is at increased risk of not having the IT staff with the necessary knowledge, skills, and abilities to execute a range of management functions that support its mission and goals.

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

Director: Dave Hinchman, Information Technology and Cybersecurity
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Privacy: Dedicated Leadership Can Improve Programs and Address Challenges. GAO-22-105065. Washington, D.C.: September 22, 2022.

Year recommendation made: 2022

Recommendation: The Secretary of the Treasury should establish a time frame for fully defining the role of the senior agency official for privacy or other designated privacy official in reviewing and approving system categorizations, overseeing privacy control assessments, and reviewing authorization packages, and document these roles.

Action needed: Treasury did not agree or disagree with this recommendation. As of March 2023, the department stated that it was working to address issues we had identified. To fully implement this recommendation, Treasury needs to fully define the role of the senior agency official for privacy or other designated privacy officials in these steps for authorizing systems with personally identifiable information and document these roles in its policies and procedures. Doing so will help the department ensure that privacy protections are adequately incorporated into those systems.

High-risk area: Ensuring the Cybersecurity of the Nation

Director: Jennifer Franks, Information Technology and Cybersecurity
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Improving Federal Financial Management

Management Report: Improvements Needed in Controls over the Processes Treasury and OMB Used to Prepare the U.S. Consolidated Financial Statements. GAO-22-105851. Washington, D.C.: August 16, 2022.

Year recommendations made: 2004, 2013, 2014, 2020, and 2022[17]

[17] In our annual management report on the preparation of the consolidated financial statement of the U.S. government, we report on the status of recommendations made in prior years and make new recommendations as appropriate. The prior 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).

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. We completed our fiscal year 2022 audit of the U.S. government's consolidated financial statements in February 2023 and determined that nine recommendations from prior audits remain open.[18]

Actions needed: Treasury agreed with the nine recommendations. Treasury and OMB should focus on addressing 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. These material weaknesses have contributed to our being unable to express an opinion on the consolidated financial statements of the U.S. government.

Treasury and OMB officials expressed their continuing commitment to addressing these material weaknesses as documented in Treasury and OMB's Remediation Plan for the Financial Report of the U.S. Government.[19] 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
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Financial Audit: Bureau of the Fiscal Service's FY 2022 Schedules of the General Fund. GAO-23-104786. Washington, D.C.: March 30, 2023.

Year recommendations made: 2019, 2021, and 2023[20]

Recommendations: The Commissioner of Fiscal Service should focus on four recommendations addressing internal control deficiencies that prevent us from expressing an opinion on the Schedules of the General Fund. Fiscal Service should also prioritize seven recommendations related to effectively monitoring internal control over financial reporting and other control deficiencies. Of the 11 total recommendations, six are from our fiscal year 2022 audit of the Schedules of the General Fund and five remain open from prior years' audits.

Actions needed: Treasury agreed with the 11 recommendations. As of March 2023, Fiscal Service is developing corrective action plans to address the six new recommendations from our fiscal year 2022 audit. For the five prior recommendations that remain open as of March 2023, Fiscal Service continues to:

- develop new reporting mechanisms for federal entities to report transactions and reclassifications at the appropriate level of detail for traceability and convert any

[18]Our forthcoming management report, which we expect to issue in summer 2023, will detail internal control deficiencies identified in our fiscal year 2022 audit and provide recommendations for corrective action.

[19]Office of Management and Budget and Department of the Treasury, Financial Report of the United States Government: Remediation Plan FY 2022 (Washington, D.C.: August 2022).

[20]The prior recommendations are from GAO, *Financial Audit: Bureau of the Fiscal Service's FY 2020 Schedules of the General Fund*, GAO-21-362 (Washington, D.C., Apr. 15, 2021), and *Financial Audit: Bureau of the Fiscal Service's FY 2018 Schedules of the General Fund*, GAO-19-185 (Washington, D.C.: May 15, 2019).

remaining federal agencies to full Central Accounting Reporting System reporters (which is dependent on federal agency cooperation);

- develop and implement additional transaction codes that would provide more detailed information on transactions reported; and
- develop and implement a procedure to review active Treasury accounts and to compile a standard support package for attributes and other transaction codes assigned to them.

Fiscal Service plans to complete these actions over the next several years. We will continue to monitor Fiscal Service's progress. Until these 11 recommendations are fully implemented, we will be unable to express an opinion on the Schedules of the General Fund. In addition, Treasury will continue to face other internal control challenges.

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Protecting Workers' Retirement Savings

401(K) Plans: Effects of Eligibility and Vesting Policies on Workers' Retirement Savings. GAO-17-69. Washington, D.C.: October 21, 2016.

Year recommendation made: 2017

Recommendation: To ensure that current vesting policies appropriately balance plans' needs and interests with the needs of workers to have employment mobility while also saving for retirement, Treasury should evaluate the appropriateness of existing maximum vesting policies for account-based plans, considering today's mobile labor force, and seek legislative action to revise vesting schedules, if deemed necessary. The Department of Labor (DOL) could provide assistance with such an evaluation.

Action needed: Treasury had no formal comment on this recommendation. DOL stated that vesting policies are under Treasury's interpretive and regulatory jurisdiction. Treasury noted that vesting policies are set by law and had not taken any action as of February 2023. However, for Congress to consider updating vesting caps in law, it needs information as to whether changes are warranted and what the effects might be. As the agency with interpretive and regulatory jurisdiction, it is up to Treasury to provide such information.

The Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022 included a number of provisions aimed at expanding access and increasing participation for workplace retirement accounts.[21] However, workers who leave a job before vesting will forfeit employer contributions to their accounts and the investment returns based on these contributions. To fully implement this recommendation, Treasury needs to assess whether current policies are appropriate for today's mobile workforce, either through its own evaluation or in coordination with DOL. Given that about one-third of plans require 5 to 6 years of eligible service for full vesting while the median tenure with current employer in the private-sector is 4.1 years, these policies can significantly affect retirement security for more than 72 million Americans who hold active 401(k) plan accounts.

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[21]Consolidated Appropriations Act of 2023, Pub. L. No. 117-328, div. T, 136 Stat. 4459, 5275-5404 (2022).

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Improving the Timeliness of Social Security and Medicare Trust Fund Reports

Social Security and Medicare: Improved Schedule Management Needed for More Timely Trust Fund Reports. GAO-19-596. Washington, D.C.: July 30, 2019.

Year recommendation made: 2019

Recommendation: The Secretary of the Treasury, as Chairperson of the Boards of Trustees, should work with the other trustees to establish a policy to inform congressional committees of jurisdiction when the trustees determine that the reports are expected to miss the issuance deadline. This outreach should include (1) the factors that are contributing to delays, and (2) the reports' expected issuance dates.

Action needed: Treasury agreed with this recommendation and reported it had helped establish a policy in December 2020 to inform congressional committees of jurisdiction about delays. However, the policy allows Treasury to "assess the need" to notify Congress. While Treasury did notify Congress of an initial delay in 2021, it did not update Congress of a further delay that year. Treasury also did not inform Congress in advance of the late issuance of the 2022 report. To fully implement this recommendation, Treasury needs to ensure the policy does not imply that notifying congressional committees of jurisdiction is discretionary and that it calls for an explanation of the delays and updated time frames. Establishing such a policy will keep congressional committees of jurisdiction informed of any delays and when they can expect the annual reports to be issued each year so they can plan their oversight and legislative responsibilities.

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