

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 CFS. As part of the fiscal year 2014 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 the 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 2013 audit.

What GAO Recommends

GAO is making three new recommendations to Treasury to address the control deficiencies identified during the fiscal year 2014 CFS audit. In commenting on GAO's draft report, Treasury and OMB generally concurred with GAO's recommendations.

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 2014 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 over the federal government's ability 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 Reconciliation of Net Operating Cost and Unified Budget Deficit and the Statement 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 2014 CFS, GAO identified three new internal control deficiencies. Specifically, GAO found that Treasury did not have

- a sufficient process to work with key federal entities prior to the end of the fiscal year to reasonably assure that new or substantially revised federal accounting standards were consistently implemented by the entities to allow appropriate consolidation at the government-wide level,
- procedures for determining whether entities and transactions for which it does not have audit assurance are significant in the aggregate to the CFS, and
- sufficient procedures for (1) identifying significant increases or decreases in all CFS line items and disclosures from prior fiscal year reported amounts and (2) understanding the reasons for such changes.

In addition, GAO found that various other control deficiencies identified in previous years' audits with respect to the processes used to prepare the CFS continued to exist. Specifically, 24 of the 31 recommendations from GAO's prior reports regarding control deficiencies in the processes used to prepare the CFS remained open as of February 19, 2015, the date of GAO's report on its audit of the fiscal year 2014 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 24 open recommendations from prior years as part of its fiscal year 2015 CFS audit.