U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

August 12, 2025

The Honorable Scott Bessent
Secretary of the Treasury
The Honorable Michael Faulkender
Deputy 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 Secretary Bessent and Deputy Secretary Faulkender:

Congratulations on your appointments. The purpose of this letter is to call your personal attention to four areas based on GAO's past work and 32 open priority recommendations, which are enclosed.[1] Additionally, there are 96 other GAO open recommendations that we will continue to work with your staff to address.

We are highlighting the following areas that warrant your timely and focused attention. Specifically:

**Reducing fraud and improper payments**. To safeguard federal funds, it is critical to reduce fraud and improper payments—payments that should not have been made or were made in an incorrect amount. The federal government loses between $233 billion and $521 billion annually to fraud alone, according to our April 2024 government-wide estimates based on data from fiscal years 2018 through 2022. Additionally, federal agencies have reported about $2.8 trillion in estimated improper payments since 2003, including over $150 billion government-wide in each of the last 7 years.

However, the federal government is unable to determine the full extent to which fraud occurs in individual federal programs. Treasury needs to evaluate and identify methods to expand fraud estimation for high-risk program areas working with the Office of Management and Budget and the Inspectors General, as we recommended. Fraud estimates can provide a better understanding of the scope of the problem, help prioritize resources, and demonstrate return on investment from fraud prevention and detection efforts.

In addition, we recommended that Treasury develop processes, such as post-payment reviews or recovery audits, to strengthen its oversight of more than $46 billion in COVID-19 Emergency Rental Assistance funds. Implementing this priority recommendation could help Treasury more consistently identify and recover overpayments—including those resulting from potential fraud—

[1]GAO considers a recommendation to be a priority if, when implemented, it 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.

for ineligible households. Treasury should act promptly because as more time passes, it is less likely overpayments will be recovered.

**Ensuring cybersecurity and information privacy**. Financial services are part of the nation's critical infrastructure providing essential functions that underpin American society. The financial services sector's reliance on technology systems makes it a leading target for cyber-based attacks on critical infrastructure. We urge Treasury as a sector risk management agency for financial services to accelerate the pace of strengthening cybersecurity—an area on our High-Risk List—to mitigate risks and protect privacy.

GAO has recommended that Treasury, working with other federal agencies and partners, better measure progress and prioritize efforts in line with sector cybersecurity goals. This includes (1) tracking and prioritizing sectorwide cyber risk mitigation efforts according to financial services sector goals and priorities; (2) documenting metrics for progress made on these efforts and how the efforts will meet sector goals and requirements; and (3) developing methods for determining adoption of a cybersecurity framework within the financial services sector. Fully implementing these recommendations will help Treasury and the financial services sector work together to protect critical infrastructure.

The protection of personal privacy has become a more significant issue with the advent of new technologies and the proliferation of personal information. Treasury collects, processes, and stores large amounts of personally identifiable information. Accordingly, it must ensure that this information is protected from unauthorized access, tampering, or loss. We recommended that Treasury fully define and document the role of its senior agency official and other designated officials for protecting personally identifiable information held within agency systems. Doing so will help Treasury ensure privacy protections for sensitive personal information.

**Improving federal financial management**. Complete and reliable financial information is essential for the federal government to operate as effectively and efficiently as possible. We identified 20 priority recommendations 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. In response, Treasury and its Fiscal Service have developed remediation plans to address these priority recommendations demonstrating continued commitment to improving federal financial management. Implementing all of the priority recommendations for improving these processes is important to help ensure that Congress, the administration, and federal managers have ready access to reliable and complete financial information.

Since the federal government began preparing consolidated financial statements, 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. Treasury has made progress and expressed its continued commitment to working to address the problems.

The preparation and audit of individual federal entities' financial statements have also identified numerous deficiencies. In light of material weaknesses and other limitations identified during our audits of the consolidated financial statements of the U.S. government and Schedules of the General Fund, we plan to send letters to nine agencies explaining their roles in helping address the limitations. Specifically, we will send separate letters to the Chief Financial Officers of the Departments of Agriculture, Defense, Education, Energy, Health and Human Services, Justice, Transportation, and Veterans Affairs as well as the Small Business Administration.

**Mitigating foreign investment risks.** As chair of the Committee on Foreign Investment in the United States (CFIUS), Treasury plays an important role in protecting technologies critical to U.S. national security, an area on our High-Risk List. Over the last decade, the number of agreements to mitigate national security risks related to foreign investment in U.S. companies has nearly quadrupled, and the work of monitoring and enforcing compliance has grown. We recommended that Treasury establish procedures to help ensure CFIUS responds in a timely manner to violations of mitigation agreements. We have ongoing work reviewing how the CFIUS member agencies implemented an expansion of the committee's jurisdiction over foreign investments, including for certain critical technology investments.

Please see Enclosure 1 for additional details about the status and actions needed to fully implement all 32 open priority recommendations out of the 128 total recommendations that remain open.[2] This includes priority recommendations on improving program oversight and protecting workers' retirement savings.

We also provide in Enclosure 2 additional information on Treasury's recommendation implementation rate and implemented, removed, and new priority recommendations since our June 2024 letter to Secretary Yellen and Deputy Secretary Adeyemo; and relevant management challenges from our High-Risk List that apply to Treasury. In response to legislation enacted in December 2022, this enclosure also includes information on any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues relating to such implementation.

Copies of this letter are being sent to the appropriate congressional committees. The letter will also be available on the GAO website at Priority Recommendations | U.S. GAO. We also plan to send a separate letter specifically focused on open recommendations and key issues related to information technology. This letter will be sent to your Chief Information Officer.

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. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this letter. Our teams will continue to coordinate with your staff on addressing these priority recommendations and the remaining 96 open recommendations. I appreciate Treasury's continued commitment and thank you for your personal attention to these important issues.

[2]These do not include recommendations made to the Internal Revenue Service (IRS) and the Office of the Comptroller of the Currency, which are addressed in separate letters. We sent *Priority Open Recommendations: Office of the Comptroller of the Currency*, GAO-25-108046 (Washington, D.C.: May 15, 2025) to your office and will send a copy of the IRS letter also.

Sincerely,

//SIGNED//

Gene L. Dodaro
Comptroller General
Of the United States

Enclosures – 2

cc: John York, Assistant Secretary for Management, Treasury
Andrew Fair, Acting Assistant Secretary for Investment Security, Treasury
Luke Pettit, Assistant Secretary for Financial Institutions, Treasury
Ken Kies, Assistant Secretary for Tax Policy, Treasury
Gary Grippo, Acting Fiscal Assistant Secretary, Treasury
Timothy Gribben, Commissioner, Bureau of the Fiscal Service, Treasury
Acting Commissioner of Internal Revenue, Internal Revenue Service
The Honorable Jonathan V. Gould, Comptroller of the Currency, Office of the Comptroller of the Currency
Sam Corcos, Chief Information Officer, Treasury

## Enclosure 1

## Priority Open Recommendations to Department of the Treasury

### Reducing Fraud and Improper Payments

*Fraud Risk Management: 2018-2022 Data Show Federal Government Loses an Estimated $233 Billion to $521 Billion Annually to Fraud, Based on Various Risk Environments*. GAO-24-105833. Washington, D.C.: April 16, 2024.

**Year Recommendation Made:** 2024

**Recommendation:** The Secretary of the Treasury, in consultation with the Office of Management and Budget (OMB), should establish an effort to evaluate and identify methods to expand government-wide fraud estimation to support fraud risk management. This effort should

- initially prioritize program areas at increased risk of fraud;
- be responsive to changes in the availability or quality of data; and
- leverage data-analytics capabilities, such as within the Office of Payment Integrity, which includes the Do Not Pay program.

**Action Needed:** Treasury agreed with this recommendation. In May 2025, Treasury officials met with GAO to discuss statistical, data, and technical considerations as Treasury explores fraud estimation approaches to address the recommendation. To fully implement this recommendation, Treasury needs to leverage expertise, data, and analytic tools to evaluate approaches the federal government can use to estimate fraud and refine estimates as data improves. With more targeted estimates, agencies would be better positioned to leverage this information to strategically manage fraud risk.

**Director:** Rebecca Shea, Forensic Audits and Investigative Service
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**Director:** Jared B. Smith, Applied Research and Methods
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*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 this recommendation. In fiscal year 2024, Treasury provided documentation that shows it (1) implemented a data-centric risk-based approach to recipient monitoring that relies on a combination of automated and manual reviews of recipient data to identify and address potential noncompliance, focusing on allowable costs; (2) developed a risk monitoring tool that uses risk-based analytics to identify the highest-risk recipients; and (3) established a process for remediation and audit resolution that allows for recovery of unallowable costs, including potential overpayments.

Treasury's January 2025 Desk Review Procedures document its oversight and monitoring of recipients' ability to manage their grants and ensure recipients' compliance in administering related funds for the Emergency Rental Assistance (ERA) program. As of April 2025, Treasury was in the pilot stage of its desk reviews. Based on our review of Treasury's documentation, we believe Treasury has designed monitoring procedures related to determining whether nonfederal entities appropriately disbursed ERA program funds to households.

However, Treasury did not provide documentation 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. This process would include monitoring procedures that detect ERA funds disbursed by nonfederal entities to households who were not eligible to receive those funds and steps to recover those funds. 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.

**Potential Financial Benefits:** Identified but no estimate.

**Director:** M. Hannah Padilla, Financial Management and Assurance
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**Director:** Jill Naamane, Financial Markets and Community Investment
**Contact information**: NaamaneJ@gao.gov

### 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.

**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*.

**Actions Needed:** Treasury agreed with these recommendations. In January 2025, Treasury published an updated *Financial Services Sector Risk Management Plan* which specified priority risks facing the financial sector. The Plan also identified six prioritized lines of effort that the sector is implementing to mitigate these priority risks and reduce the consequences of adverse incidents. Treasury specified in the Plan that the six lines of effort were intended to address the priority risks specific to the financial sector that were listed in the Department of Homeland Security's *Strategic Guidance and National Priorities for U.S. Critical Infrastructure Security and Resilience (2024-2025)*. In addition to identifying sector-specific risks and mitigation efforts, the Plan also describes working groups that meet regularly to plan and execute security and resilience projects based on the priorities the Plan defines, including the prioritized lines of effort. According to the Plan, these working groups develop action plans and key milestones for specific efforts to accomplish the priorities.

However, Treasury did not provide specifics on its new mechanism for tracking completion of its risk mitigation efforts, in the Plan or otherwise. The Plan also does not identify specific metrics for measuring the progress of these efforts. Further, while the Plan noted steps Treasury has taken to identify sector-specific goals, Treasury did not list these goals or how they relate to the specific priority risks identified in the Plan. For example, the Plan identified increased vulnerability posed by software and hardware supply chains as a priority risk but did not link efforts to mitigate this risk to financial services sector goals. In April 2025, we requested information from Treasury about the alignment of the risk mitigation efforts to sector-specific goals, the planned mechanism for tracking sector risk mitigation efforts, and the planned metrics the working groups will use to measure the progress and success of their action plans.

To fully implement these recommendations, Treasury needs to document, in the new sector-specific risk management plan or elsewhere, details on how its risk mitigation efforts align with the financial sector's goals, information on its planned mechanism for tracking the sector risk mitigation efforts it identified to completion, and specific metrics to measure the progress of sectorwide risk mitigation efforts tied to the financial sector's goals and priorities. Without doing so, Treasury and the financial sector may continue to face difficulty in determining the extent to which their risk mitigation efforts are successful in mitigating the priority risks facing the financial sector.

**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 the 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, 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. Treasury stated that it does not have the authority to compel entities to share cybersecurity 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 April 2025, Treasury stated that the Financial Services Sector Risk Management Plan addresses cybersecurity risk mitigation efforts and measures of success. Specifically, the sector plan includes a line of effort aimed at promoting adoption of financial services sector-specific goals, which may correlate with aspects of the National Institute of Standards and Technology's (NIST) cybersecurity framework. In addition, according to the sector plan, government- and industry-led working groups are to measure progress and assess effectiveness of security and resilience projects. However, Treasury did not identify steps it has taken in collaboration with sector partners to develop methods for determining adoption of NIST's cybersecurity framework or sector-specific goals that relate to the framework.

To fully implement the recommendation, Treasury needs to demonstrate steps it has taken in collaboration with sector partners to better understand the sector's adoption of NIST's cybersecurity framework. Doing so may be challenging, but it 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
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*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 (CISA) 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.[3] It received 55 responses from a variety of organizations. In March 2024, Treasury stated that it had completed its initial assessment of the potential need for a federal response to catastrophic cyber incidents. The assessment concluded with a decision to further explore the appropriate form of a federal insurance response in coordination with CISA. In April 2025, Treasury stated that it had continued its research and engaged industry stakeholders, including by hosting a May 2024 conference with cyber insurance experts. As of April 2025, Treasury had

[3]87 Fed. Reg. 59,161 (Sept. 29, 2022).

not provided us an update as to when it plans to conclude its overall assessment or communicate its results to Congress.

To fully implement this recommendation, Treasury needs to complete its overall assessment and communicate it to Congress. 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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*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 2024, Treasury had updated its Privacy Act Directive to state that the Chief Information Officer will inform the Director of Privacy and Civil Liberties of reviews or authorization packages to ensure privacy personnel involvement in reviewing and approving system categorizations, overseeing privacy control assessments, and reviewing authorization packages. As of April 2025, Treasury had provided additional policies and procedures for certain of its bureaus and sub-component agencies. However, neither these policies nor the department-level directive fully detailed which privacy officials are to be involved in approving categorizations, overseeing privacy control assessments, and reviewing authorization packages.

To fully implement this recommendation, Treasury needs to 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**

*U.S. Consolidated Financial Statements: Continued Improvements Needed in Treasury and OMB Preparation Process Controls*. GAO-24-107443. Washington, D.C.: July 10, 2024.

**Year Recommendations Made:** 2013, 2014, 2022, and 2023[4]

**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 2024 audit of the U.S. government's consolidated financial statements in January 2025 and determined that nine recommendations from prior audits remain open.

**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. 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.

To fully implement corrective actions to address the recommendations, Treasury should design and update corrective action plans with OMB's support. Implementing the nine recommendations would help address long-standing material weaknesses in the processes used to prepare the consolidated financial statements of the U.S. government.

**Director:** Dawn B. Simpson, Financial Management and Assurance
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*General Fund: Improvements Needed in Controls over Retention of Key System Security and Cash Activity Documentation*. GAO-25-107819. Washington, D.C.: March 13, 2025.

**Year Recommendations Made:** 2019, 2021, 2023, and 2025[5]

**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

[4]Subsequent to the issuance of our audit report on the U.S. government's consolidated financial statements, we report on the status of recommendations made in prior years and make new recommendations as appropriate related to the processes used for preparing the statements. The prior recommendations are from GAO, *U.S. Consolidated Financial Statements: Improvements Needed in Internal Controls over the Treasury and OMB Preparation Process*. GAO-23-106707 (Washington, D.C.: Aug. 15, 2023); *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.: Aug 16, 2022); *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); and *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).

[5]The prior recommendations are from GAO, *Financial Audit: Bureau of the Fiscal Service's FY 2022 Schedules of the General Fund*, GAO-23-104786 (Washington, D.C.: Mar. 30, 2023), *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).

recommendations related to effectively monitoring internal control over financial reporting and other control deficiencies.

**Actions Needed:** Treasury agreed with the 11 recommendations. As of March 2025, Fiscal Service continues to:

- develop new mechanisms for federal entities to report accounting transactions and reclassifications at the appropriate level of detail for traceability through the Schedules. Fiscal Service will need all federal entities to either (1) fully utilize the Central Accounting Reporting System (CARS) or (2) report the necessary detail using another mechanism;
- develop and implement additional transaction codes that would provide more detailed information on accounting transactions reported in CARS and educate and encourage federal entities to use the new transaction codes that have been established;
- develop and implement a procedure to review active Treasury accounts and ensure there is supporting documentation for attributes and other transaction codes assigned to them; and
- develop and implement a mechanism to trace various postpayments recorded in the Schedules to supporting transaction data for a potential reconciliation process.

To fully implement the 11 recommendations, Fiscal Service needs to complete these and other actions to address internal control deficiencies and monitoring. Doing so will not only enable us to express an opinion on the Schedules of the General Fund but also improve Treasury's internal control over financial reporting.

**Director:** Anne Y. Sit-Williams, Financial Management and Assurance
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**Mitigating Foreign Investment Risks**

*Foreign Investment in The U.S.: Efforts to Mitigate National Security Risks Can Be Strengthened*. GAO-24-107358. Washington, D.C.: April 18, 2024.

**Year Recommendations Made:** 2024

**Recommendation:** The Secretary of the Treasury, as the Committee on Foreign Investment in the United States (CFIUS) chair, should work with member agencies to document a committee-wide process for considering and making timely decisions on enforcement actions related to mitigation agreements.

**Action Needed:** Treasury agreed with this recommendation. As of April 2025, Treasury reported that it has developed draft enforcement procedures and sought initial comments from committee members. To fully implement this recommendation, Treasury needs to obtain committee consensus to finalize the procedures. Documenting a committee-wide process for CFIUS enforcement decisions would strengthen Treasury's ability, as chair, to ensure the committee's timely response to violations that may threaten national security.

**High-Risk Area:** Protecting Technologies Critical to U.S. National Security

**Director:** Nagla'a El-Hodiri, International Affairs and Trade
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**Improving Program Oversight**

*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 disagreed with implementing the recommendation. However, OMB noted that Treasury would be responsible for carrying out tax expenditure evaluations. Neither Treasury nor OMB have taken action on this recommendation. As of March 2025, 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 more than $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.

**High-Risk Area:** Enforcement of Tax Laws

**Potential Financial Benefits if Implemented:** May contribute to billions of dollars or more.[6]

**Director:** James R. McTigue, Jr., Strategic Issues
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[6]This potential financial benefit is not attributable to this recommendation alone but could result from the combined effect of implementing two or more recommendations.

*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 September 2024, the Community Development Financial Institutions (CDFI) Fund, which is part of Treasury, began collecting additional data from Community Development Entities. These data are intended to measure the depth of public subsidies in NMTC-financed projects.

In April 2025, Treasury officials told us that the CDFI Fund anticipates it will have collected sufficient data to conduct meaningful analysis by June 30, 2026. The CDFI Fund then plans to share its findings with the Office of Tax Policy and the Internal Revenue Service (IRS). Completing this effort would fully respond to the intent of our recommendation by ensuring Treasury has the information necessary to prevent low-income community projects from receiving more government assistance than required.

**High-Risk Area:** Enforcement of Tax Laws

**Director:** James R. McTigue, Jr., Strategic Issues
**Contact information:** MctigueJ@gao.gov

*Tax Cuts and Jobs Act: Considerable Progress Made Implementing Business Provisions, but IRS Faces Administrative and Compliance Challenges*. GAO-20-103. Washington, D.C.: February 25, 2020.

**Year Recommendation Made:** 2020

**Recommendation**: The Assistant Secretary of Tax Policy should update Treasury's internal guidance to ensure that Treasury's regulatory impact analyses include examination of the distributional effects of revenue changes when regulations influence tax liability.

**Action Needed:** Treasury disagreed with this recommendation. In September 2023, Treasury officials said it applies a facts-and-circumstances approach to identifying instances when economic analysis is appropriate. In January 2025, Executive Order 14192 directed Treasury and OMB to reinstate the April 2018 Memorandum of Agreement outlining the requirements for OMB review of tax regulations.[7] In March 2025, Treasury officials said that they were coordinating with OMB on the executive order's requirement to reinstate the review of tax regulations. We maintain that decisions Treasury and IRS made when developing regulations to implement the Tax Cuts and Jobs Act could potentially impact tax liability by billions of dollars per year, thereby warranting economic analysis.

[7]Exec. Order No. 14192, *Unleashing Prosperity Through Deregulation*, 90 Fed. Reg. 9065, 9067 (Jan. 31, 2025).

To fully implement this recommendation, Treasury needs to update its internal guidance for conducting impact analyses to include examination of distributional effects of revenue changes when regulations influence tax liability. By excluding analyses of distributional effects due to changes in tax liability, including effects on tax revenue collection, Treasury and IRS risk making regulatory decisions that have significant economic effects without fully understanding the consequences of their decisions.

**Director:** Jessica Lucas-Judy, Strategic Issues
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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 neither agreed nor disagreed with 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 April 2025. However, for Congress to consider updating vesting policies, it needs information as to whether changes are warranted and what the effects might be. As the agency with interpretive and regulatory jurisdiction, Treasury is best positioned to provide such information.

The SECURE 2.0 Act of 2022 included provisions aimed at expanding coverage and increasing savings in workplace retirement accounts.[8] 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 3.5 years, these policies can significantly affect retirement security for more than 79 million Americans who hold active 401(k) plan accounts.

**Director:** Tranchau (Kris) T. Nguyen, Education, Workforce, and Income Security
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[8]Pub. L. No. 117-328, div. T, 136 Stat. 4459, 5275-5404. The SECURE 2.0 Act of 2022 followed the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, which also included provisions intended to expand and preserve retirement savings. Pub. L. No. 116-94, div. O, 133 Stat. 2534, 3137-82.

## Enclosure 2

## Key Information About the Status of GAO Recommendations and Improving Agency Operations

### Department of the Treasury's Recommendation Implementation Rate

In November 2024, we reported that, on a government-wide basis, 70 percent of our recommendations made 4 years ago were implemented.[9] As of May 2025, Treasury's recommendation implementation rate was 74 percent. As of July 2025, Treasury had 128 open recommendations.[10]

### Implemented, Closed, and New Priority Recommendations

Our June 2024 letter to Secretary Yellen and Deputy Secretary Adeyemo identified 34 priority recommendations.[11] Since then, Treasury implemented four recommendations, we removed the priority status of two recommendations, and we added four new priority recommendations.

**Implemented recommendations:** Treasury implemented four priority recommendations since June 2024.

- As of January 2025, Treasury implemented corrective actions to enhance existing policies and procedures to (1) reasonably assure appropriate accounting and reporting for significant, unusual transactions or events, such as changes in legislation, in the consolidated financial statements; and (2) support decisions related to information included in the consolidated financial statement note disclosures, such as explanations for significant fluctuations from prior year amounts, as we recommended in August 2022.[12] Treasury implemented these actions as part of its continued efforts to improve its internal control procedures for the preparation of the consolidated financial statements of the U.S. government.

- As of March 2025, Treasury implemented corrective actions to improve (1) its reporting of funds held outside of Treasury; and (2) controls over identifying and closing Treasury Account Symbols that lack corresponding appropriations, as we recommended in March 2023.[13] Treasury implemented these actions as part of its continued efforts to improve its internal control over financial reporting relevant to the Schedules of the General Fund.

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[9] GAO, *Performance and Accountability Report: Fiscal Year 2024*, GAO-25-900570 (Washington, D.C.: Nov. 15, 2024).

[10] These do not include recommendations made to the Internal Revenue Service and the Office of the Comptroller of the Currency, which are addressed in separate letters.

[11] GAO, *Priority Open Recommendations: Department of the Treasury*, GAO-24-107324 (Washington, D.C.: June 5, 2024).

[12] GAO, *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.: Aug. 16, 2022).

[13] GAO, *Financial Audit: Bureau of the Fiscal Service's FY 2022 Schedules of the General Fund*, GAO-23-104786 (Washington, D.C.: Mar. 30, 2023).

**Priority status removed:** In April 2025, we removed the priority status from two December 2022 recommendations to improve oversight of COVID-19 Emergency Rental Assistance (ERA) payments.[14] We recommended that Treasury collect more complete data from entities that made these payments and complete an assessment of the program's susceptibility to improper payments. While ERA program funding is available until September 30, 2025, Treasury reported that 90.1 percent of the funds were spent as of September 2024. Because the disbursement of these pandemic program funds is largely over, we have removed the priority status from these two recommendations.[15]

**New priority recommendations:** The four new priority recommendations fall into the areas of reducing fraud and improper payments, improving federal financial management, and mitigating foreign investment risks. (See Enclosure 1.)

**High-Risk List**

In February 2025, we issued our biennial update to our High-Risk List.[16] This list identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement. It also identifies the need for transformation to address economy, efficiency, or effectiveness challenges.

Two of our high-risk areas—modernizing the U.S. financial regulatory system and enforcement of tax laws—center directly on Treasury. As the chair of the Committee on Foreign Investment in the United States, Treasury also plays a crucial role in protecting technologies critical to U.S. national security.

While there are currently no priority recommendations for Treasury related to resolving the federal role in housing finance, that issue is also on our High-Risk List. Addressing open matters for congressional consideration and recommendations for resolving the federal role in housing finance will require leadership commitment and action by Congress, Treasury, and other federal agencies. 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 operations. These include improving IT acquisitions and management, strategic human capital management and the personnel security clearance process, managing federal real property, and ensuring the cybersecurity of the nation.

In addition to Treasury's high-risk areas, we urge your continued attention to the other government-wide, high-risk 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,

[14]GAO, *Emergency Rental Assistance: Treasury's Oversight Is Limited by Incomplete Data and Risk Assessment*, GAO-23-105410 (Washington, D.C.: Dec. 20, 2022).

[15]A related recommendation to develop processes to identify and recover overpayments for ineligible households remains a priority recommendation.

[16]GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, GAO-25-107743 (Washington, D.C.: Feb. 25, 2025).

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.[17]

**Congress's Role on GAO Recommendations**

We also recognize the key role Congress plays 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.[18]

Congress can use various strategies to address 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 can 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 can pass legislation providing an agency explicit authority to implement a recommendation or requiring an agency to take certain actions to implement a recommendation.

[17]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).

[18]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 (2022) (accompanying Legislative Branch Appropriations Act, H.R. 8237, 117th Cong. (2022)).