Independent Auditor’s Report

The President
The President of the Senate
The Speaker of the House of Representatives

In our audits of the U.S. government’s consolidated financial statements as of and for the fiscal years ended September 30, 2023, and 2022, we found the following:

- Certain material weaknesses\(^1\) in internal control over financial reporting and other limitations on the scope of our work resulted in conditions that continued to prevent us from expressing an opinion on the accompanying accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2023, and 2022.\(^2\)

- Significant uncertainties (discussed in Note 25, Social Insurance, to the consolidated financial statements), primarily related to the achievement of projected reductions in Medicare cost growth, prevented us from expressing an opinion on the accompanying sustainability financial statements,\(^3\) which consist of the 2023 and 2022 Statements of Long-Term Fiscal Projections;\(^4\) the 2023, 2022, 2021, 2020, and 2019 Statements of Social Insurance;\(^5\) and the 2023 and 2022 Statements of

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\(^1\)A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect or correct, misstatements on a timely basis.

\(^2\)The accrual-based consolidated financial statements comprise the (1) Statements of Net Cost, Statements of Operations and Changes in Net Position, Reconciliations of Net Operating Cost and Budget Deficit, and Statements of Changes in Cash Balance from Budget and Other Activities, for the fiscal years ended September 30, 2023, and 2022; (2) Balance Sheets as of September 30, 2023, and 2022; and (3) related notes to these financial statements. Most revenues are recorded on a modified cash basis. We previously reported that certain material weaknesses and, for some years, other limitations on the scope of our work prevented us from expressing an opinion on the accrual-based consolidated financial statements of the U.S. government for fiscal years 1997 through 2022.

\(^3\)We have previously reported that significant uncertainties prevented us from expressing an opinion on the sustainability financial statements (Statements of Social Insurance for fiscal years 2010 through 2022 and Statements of Long-Term Fiscal Projections for fiscal years 2015 through 2022). The Statements of Social Insurance were first presented for fiscal year 2006, and the Statements of Long-Term Fiscal Projections were first presented for fiscal year 2015.

\(^4\)The 2023 and 2022 Statements of Long-Term Fiscal Projections present, for all the activities of the federal government, the present value of projected receipts and noninterest spending under current policy without change, the relationship of these amounts to projected gross domestic product (GDP), and changes in the present value of projected receipts and noninterest spending from the prior year. These statements also present the fiscal gap, which shows the combination of receipt increases and noninterest spending reductions necessary to hold debt held by the public as a share of GDP at the end of the 75-year projection period to its value at the beginning of the period. The valuation date for the Statements of Long-Term Fiscal Projections is September 30.

\(^5\)The Statements of Social Insurance present the present value of revenue and expenditures for social benefit programs, primarily Social Security and Medicare. These statements are presented for the current year and each of the 4 preceding years as required by U.S. generally accepted accounting principles. For the Statements of Social Insurance, the valuation date is January 1 for the Social Security and Medicare programs, October 1 for the Railroad Retirement program, and September 30 for the Black Lung program.
Changes in Social Insurance Amounts. A material weakness in internal control also prevented us from expressing an opinion on the 2023 and 2022 Statements of Long-Term Fiscal Projections.

- Material weaknesses resulted in ineffective internal control over financial reporting for fiscal year 2023.

- Material weaknesses and other scope limitations, discussed above, limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2023.

This audit report discusses the following in more detail.

- Our report on the accompanying consolidated financial statements, which includes (1) two emphasis of matters—long-term fiscal challenges and equity investments in the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac); (2) an other matter regarding Chief Financial Officers Act of 1990 (CFO Act) agency financial management systems; and (3) a section on required supplementary information (RSI) included with the consolidated financial statements.  

- Our report on internal control over financial reporting.

- Our report on compliance with laws, regulations, contracts, and grant agreements.

- The Department of the Treasury’s and the Office of Management and Budget’s (OMB) comments on a draft of this audit report.

Appendix I discusses our audit objectives, scope, and methodology.

Report on the Consolidated Financial Statements

Disclaimers of Opinion

The Secretary of the Treasury, in coordination with the Director of OMB, is required to annually submit audited financial statements for the U.S. government to the President and Congress. GAO is required to audit these statements. The consolidated financial statements consist of the

- accrual-based consolidated financial statements, comprising the (1) Statements of Net Cost, Statements of Operations and Changes in Net Position, Reconciliations of Net Operating Cost and Budget Deficit, and Statements of Changes in Cash Balance from Budget and Other Activities, for the fiscal years ended September 30, 2023, and 2022; (2) Balance Sheets as of September 30, 2023, and 2022; and (3) related notes to these financial statements, and


6The RSI consists of Management's Discussion and Analysis and information in the Required Supplementary Information section of the Fiscal Year 2023 Financial Report of the United States Government, which are included with the consolidated financial statements.
Accrual-Based Consolidated Financial Statements

Because of the significance of the related matters described in the Basis for Disclaimers of Opinion section below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying accrual-based consolidated financial statements. Accordingly, we do not express an opinion on the accrual-based consolidated financial statements.

Sustainability Financial Statements

Because of the significance of the related matters described in the Basis for Disclaimers of Opinion section below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying sustainability financial statements. Accordingly, we do not express an opinion on the sustainability financial statements.

We considered the limitations on the scope of our work regarding the accrual-based consolidated financial statements and the sustainability financial statements in forming our conclusions. We performed sufficient audit work to provide this report on the consolidated financial statements. We performed our work in accordance with U.S. generally accepted government auditing standards.

Basis for Disclaimers of Opinion

Accrual-Based Consolidated Financial Statements

The federal government is not able to demonstrate the reliability of significant portions of the accompanying accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2023, and 2022, principally because of limitations related to certain material weaknesses in internal control over financial reporting and other limitations affecting the reliability of these financial statements and the scope of our work. As a result of these limitations, readers are cautioned that amounts reported in the accrual-based consolidated financial statements and related notes may not be reliable.

The federal government did not maintain adequate systems or have sufficient appropriate evidence to support certain material information reported in the accompanying accrual-based consolidated financial statements. The underlying material weaknesses in internal control, which generally have existed for years, contributed to our disclaimer of opinion on the accrual-based consolidated financial statements. Specifically, these weaknesses concerned the federal government’s inability to

- satisfactorily determine that property, plant, and equipment and inventories and related property, primarily held by the Department of Defense (DOD), were properly reported in the accrual-based consolidated financial statements;

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7Such limitations include the following: (1) The Department of Defense received a disclaimer of opinion on its fiscal years 2023 and 2022 financial statements. (2) The Small Business Administration received a disclaimer of opinion on its fiscal years 2023 and 2022 balance sheets, and its remaining statements were unaudited. (3) The Department of Education received a disclaimer of opinion on its fiscal year 2023 balance sheet, and its remaining statements were unaudited. The department received a disclaimer of opinion on its fiscal year 2022 financial statements. (4) The Department of Labor received a qualified opinion on its fiscal years 2023 and 2022 financial statements. (5) The Department of Agriculture received a qualified opinion on its fiscal year 2023 financial statements but received an unmodified opinion on its fiscal year 2022 financial statements. (6) The Security Assistance Accounts received a disclaimer of opinion on its fiscal years 2023 and 2022 financial statements. (7) The fiscal year 2023 Schedules of the General Fund were not audited to allow Treasury time to continue to implement a remediation plan to address the issues we reported as part of our disclaimer of opinion on the fiscal year 2022 Schedules of the General Fund. (8) The Railroad Retirement Board received a disclaimer of opinion on its fiscal years 2023 and 2022 financial statements.
• reasonably estimate the value of loans receivable and loan guarantees, most notably at the Small Business Administration (SBA) and Department of Education;

• reasonably estimate or adequately support amounts reported for certain liabilities, such as environmental and disposal liabilities, or determine whether commitments and contingencies were complete and properly reported;

• support significant portions of the reported total net cost of operations, most notably related to DOD, SBA, and Education, and adequately reconcile disbursement activity at certain federal entities;

• adequately account for intragovernmental activity and balances between federal entities;

• reasonably assure that the consolidated financial statements are (1) consistent with the underlying audited entities' financial statements, (2) properly balanced, and (3) in accordance with U.S. generally accepted accounting principles; and

• reasonably assure that the information in the (1) Reconciliations of Net Operating Cost and Budget Deficit and (2) Statements of Changes in Cash Balance from Budget and Other Activities is complete, properly supported, and consistent with the underlying information in the audited entities' financial statements and other financial data.

These material weaknesses continued to (1) hamper the federal government’s ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; (2) affect the federal government’s ability to reliably measure the full cost, as well as the financial and nonfinancial performance, of certain programs and activities; (3) impair the federal government’s ability to adequately safeguard significant assets and properly record various transactions; and (4) hinder the federal government from having reliable, useful, and timely financial information to operate effectively and efficiently. Because of these material weaknesses and other limitations on the scope of our work discussed below, additional issues may exist that were not identified and could affect the accrual-based consolidated financial statements. Appendix II describes these material weaknesses in more detail and highlights the primary effects of these material weaknesses on the accompanying accrual-based consolidated financial statements, the sustainability financial statements, and the management of federal government operations.

In addition, the federal government did not adequately account for and report on the Special Financial Assistance (SFA) program established by the American Rescue Plan Act of 2021. The SFA program provides payments to eligible multiemployer pension plans to enable them to pay benefits at plan levels through 2051. Plans are not required to repay amounts received from the SFA program, which is funded by appropriations from the General Fund of the U.S. Government.

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9The General Fund is a component of Treasury's central accounting function. It is a stand-alone reporting entity that comprises the activities fundamental to funding the federal government (e.g., issued budget authority, cash activity, and debt financing activities).
As of September 30, 2022, the estimated mean of total SFA program payments projected to be made to eligible multiemployer pension plans was $79.7 billion. Fiscal year 2021 liabilities and net costs were reduced by $60 billion, representing the previously recorded multiemployer plan liability related to those plans expected to be eligible to receive SFA program payments. However, while the cost and liability reduction assumed that the SFA program payments would be made, the federal government did not recognize the liabilities and costs related to the estimated SFA program payments to those plans in the fiscal year 2021 consolidated financial statements. Rather, in fiscal years 2023 and 2022, the federal government recorded SFA costs of $45.6 billion and $7.6 billion, respectively, based on approved SFA program applications, leaving about $26.5 billion of unrecognized costs as of September 30, 2023.

**Sustainability Financial Statements**

Significant uncertainties (discussed in Note 25, *Social Insurance*, to the consolidated financial statements), which primarily relate to the achievement of projected reductions in Medicare cost growth, affect the sustainability financial statements. In addition, the material weakness related to the Reconciliations of Net Operating Cost and Budget Deficit and the Statements of Changes in Cash Balance from Budget and Other Activities hampers the federal government’s ability to demonstrate the reliability of historical budget information used for certain key inputs to the 2023 and 2022 Statements of Long-Term Fiscal Projections.

As a result of these significant uncertainties and this material weakness, readers are cautioned that amounts reported in the 2023 and 2022 Statements of Long-Term Fiscal Projections; the 2023, 2022, 2021, 2020, and 2019 Statements of Social Insurance; the 2023 and 2022 Statements of Changes in Social Insurance Amounts; and related notes to these financial statements may not fairly present, in all material respects, the sustainability information for those years in accordance with U.S. generally accepted accounting principles.

These significant uncertainties primarily arise from the following:

- Medicare projections in the 2023 and 2022 Statements of Long-Term Fiscal Projections and the 2023, 2022, 2021, 2020, and 2019 Statements of Social Insurance were based on benefit formulas under current law and included a significant reduction in Medicare payment rate updates for productivity improvements for most categories of Medicare providers, based on full implementation.

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11 Under the Patient Protection and Affordable Care Act’s productivity adjustment provisions, productivity improvements are designed to result in lower overall Medicare spending because of smaller annual increases in the Medicare payment rates paid to many health care providers. This is often referred to as a reduction in Medicare payment rate updates. The health care provider categories affected include inpatient and outpatient hospital services, skilled nursing facilities, home health care, ambulance, ambulatory surgical centers, durable medical equipment, and prosthetics.
Management has noted that certain features of current law may result in some challenges for the Medicare program, including physician payments, payment rate updates for most nonphysician categories, and productivity adjustments. For example, the financial projections under current law presented in the 2023, 2022, 2021, 2020, and 2019 Statements of Social Insurance reflect substantial, but very uncertain, cost savings deriving from current-law provisions that lower increases in Medicare payment rates to most categories of health care providers. Without fundamental change in the current delivery system, these adjustments would probably not be viable indefinitely. Should payment rates prove to be inadequate for any service, beneficiaries’ access to and the quality of Medicare benefits would deteriorate over time, or future legislation would need to be enacted that would likely increase program costs beyond those projected under current law.

The extent to which actual future costs exceed the amounts projected under current law because of changes to the scheduled reductions in Medicare payment rate updates for productivity adjustments and specified physician payment updates depends on both the specific changes that might be enacted and whether enacted legislation would include further provisions to help offset such costs. Consequently, there are significant uncertainties concerning the achievement of these projected reductions in Medicare payment rate updates.

- Management has developed an illustrative alternative projection intended to provide additional context regarding the long-term sustainability of the Medicare program and to illustrate and quantify the potential understatement in the Statement of Social Insurance projections. The present value of future estimated expenditures in excess of future estimated revenue for Medicare, included in the illustrative alternative projection in Note 25, Social Insurance, exceeds the $53.1 trillion estimate in the 2023 Statement of Social Insurance by $12.1 trillion.

- Management noted that these significant uncertainties about projected reductions in health care cost growth also affect the projected Medicare and Medicaid costs reported in the 2023 and 2022 Statements of Long-Term Fiscal Projections.

Projections of Medicare costs are sensitive to assumptions about future policy decisions and consumer, employer, and health care provider behavioral responses as policy, incentives, and the health care sector change over time. Such secondary effects are not fully reflected in the sustainability financial statements but could be expected to influence the excess cost growth rate used in the projections. Key drivers of uncertainty about the excess cost growth rate include the future development and deployment of medical technology, the evolution of personal income, the cost and availability of insurance, and federal policy changes. As discussed in the RSI section of the 2023 Financial Report of

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14MANAGEMENT, AS USED IN THIS AUDIT REPORT, REFERS TO THE MANAGEMENT OF THE FEDERAL GOVERNMENT.

15THE EXCESS COST GROWTH RATE IS THE INCREASE IN HEALTH CARE SPENDING PER PERSON RELATIVE TO THE GROWTH OF GDP PER PERSON AFTER REMOVING THE EFFECTS OF DEMOGRAPHIC CHANGES ON HEALTH CARE SPENDING.
the United States Government (2023 Financial Report), the projections are very sensitive to changes in the health care cost growth assumption.

As discussed in Note 24, Long-Term Fiscal Projections, and Note 25, Social Insurance, to the consolidated financial statements, the sustainability financial statements are based on management’s assumptions. These sustainability financial statements present the present value of the U.S. government’s estimated future receipts and spending using a projection period sufficient to illustrate long-term sustainability.\textsuperscript{16} The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due.

In preparing the sustainability financial statements, management selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy is sustainable. As discussed in the 2023 Financial Report, current policy is based on current law but includes several adjustments. In the Statements of Long-Term Fiscal Projections, notable adjustments to current law include

- projected spending, receipts, and borrowing levels assume raising or suspending the current statutory limit on federal debt;
- continued discretionary appropriations are assumed throughout the projection period;
- scheduled Social Security and Medicare Hospital Insurance (Part A) benefit payments are assumed to occur beyond the projected point of trust fund depletion; and
- many mandatory programs with expiration dates prior to the end of the 75-year projection period are assumed to be reauthorized.

In the Statements of Social Insurance, the one adjustment to current law is that scheduled Social Security and Medicare Part A benefit payments are assumed to occur beyond the projected point of depletion of the trust funds. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future revenue and expenditures and, hence, sustainability. Also, the projections assume that debt could continuously rise without severe economic consequences. The RSI section of the 2023 Financial Report includes unaudited information on how changes in various assumptions would affect the Statements of Long-Term Fiscal Projections and Statements of Social Insurance. The projections in the sustainability financial statements are not forecasts or predictions.

The 2023 sustainability financial statements are based on the economic assumptions that underlie the 2023 Social Security Trustees’ Report. Those assumptions include the Trustees’ best estimates of the residual effects of the COVID-19 pandemic on the economy.

As discussed in the unaudited RSI section of the 2023 Financial Report, the combined Social Security trust funds are projected to be depleted in 2034.\textsuperscript{17} Further, based on the achievement of the cost growth reductions discussed above, the Medicare Part A trust fund is projected to be depleted in 2031. After depletion, the trust funds would be unable to pay the full amount of scheduled benefits. For Social

\textsuperscript{16} The projection period used in the Statements of Long-Term Fiscal Projections is 75 years. The projection period for the Statements of Social Insurance is 75 years for the Social Security, Medicare, and Railroad Retirement social insurance programs and 25 years for the Black Lung program.

\textsuperscript{17} The projected depletion date for the combined Social Security trust funds is hypothetical and often used for simplicity to illustrate the solvency of the Social Security program by combining the separate Federal Old-Age and Survivors Insurance trust fund and the Federal Disability Insurance trust fund. For the Federal Old-Age and Survivors Insurance trust fund, future revenues were projected to be sufficient to pay 77 percent of scheduled benefits in 2033, the year of projected trust fund depletion, decreasing to 71 percent in 2097. For the Federal Disability Insurance trust fund, asset reserves are not projected to become depleted during the 75-year period ending in 2097.
Security, future revenues were projected to be sufficient to pay 80 percent of scheduled benefits in 2034, the year of projected combined trust funds depletion, decreasing to 74 percent of scheduled benefits in 2097. For Medicare Part A, future revenues were projected to be sufficient to pay 89 percent of scheduled benefits in 2031, the year of projected trust fund depletion, declining to 81 percent by 2047, and then increasing to 96 percent of scheduled benefits in 2097.

Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be projected with certainty, even if current policy is continued, there will be differences between the projections in the sustainability financial statements and the actual results, and those differences may be material.

Other Limitations on the Scope of Our Work

For fiscal years 2023 and 2022, there were other limitations on the scope of our work, in addition to the material weaknesses and significant uncertainties noted above, that contributed to our disclaimers of opinion on the consolidated financial statements. Such limitations primarily relate to obtaining adequate representations from management regarding the financial statements. Treasury and OMB depend on representations from certain federal entities to provide their representations to us regarding the U.S. government’s consolidated financial statements. Treasury and OMB were unable to provide us with adequate representations regarding the accrual-based consolidated financial statements for fiscal years 2023 and 2022, primarily because certain federal entities were not able to provide them sufficient representations.

Emphasis of Matters

The following matters deserve emphasis to put the information in the consolidated financial statements and the Management’s Discussion and Analysis section of the 2023 Financial Report into context. Our disclaimers of opinion are not modified with respect to these matters.

Long-Term Fiscal Challenges

The 2023 Statement of Long-Term Fiscal Projections and related information in Note 24, Long-Term Fiscal Projections, to the consolidated financial statements and the unaudited RSI section of the 2023 Financial Report show that based on current revenue and spending policies, the federal government continues to face an unsustainable long-term fiscal path. At the end of fiscal year 2023, debt held by the public was approximately 97 percent of gross domestic product (GDP). The projections in the 2023 Financial Report show that debt held by the public will reach its historical high of 106 percent of GDP in 2028 and will grow faster than the economy over the long term. For the 2023 projections, debt held by the public as a share of GDP (debt-to-GDP) at the end of the 75-year projection period is projected to be 531 percent. Annual budget deficits are projected to continue throughout the 75-year projection period. Over the long term, the imbalance between spending and revenue that is built into current policy and law is projected to lead to continued growth of debt-to-GDP. This situation—in which debt held by the public grows faster than GDP—means that the federal government’s long-term fiscal path is unsustainable.

Under the 2023 Financial Report projections, spending for major health and retirement programs will increase more rapidly than GDP in the coming decades, in part because of an aging population and projected continued increases in health care costs. These projections for Social Security and Medicare are based on the same assumptions underlying the information presented in the Statement of Social Insurance and assume that the provisions enacted in PPACA, designed to slow the growth of Medicare costs, are sustained and remain in effect throughout the projection period. The projections also reflect the effects of MACRA, which, among other things, revised the methodology for determining physician
payment rates. If, however, the Medicare cost containment measures and physician payment rate methodology are not sustained over the long term—concerns expressed by the Trustees of the Medicare trust funds, the Centers for Medicare & Medicaid Services’ Chief Actuary, the Congressional Budget Office (CBO), and others—spending on federal health care programs will grow more rapidly than assumed in the projections.

In addition, based on the 2023 Financial Report projections, spending on net interest (primarily interest on debt held by the public) will surpass Social Security spending and become the largest category of spending in 2036. Net interest is projected to increase from 2.4 percent of GDP in fiscal year 2023 to 5.3 percent of GDP in fiscal year 2034 (about 19 percent of 2034 projected total spending), and to 24.0 percent of GDP in fiscal year 2098 (about 51 percent of 2098 projected total spending).

GAO and CBO also prepare long-term federal fiscal simulations, which continue to show debt-to-GDP rising in the long term. GAO, CBO, and the 2023 Financial Report all project that debt-to-GDP will surpass its historical high (106 percent in 1946) in 2028. Each of these projections uses somewhat different assumptions, but their overall conclusions are the same: based on current revenue and spending policies, the federal government’s long-term fiscal path is unsustainable.

Further, these projections do not fully account for other risks—such as natural disasters and climate change, global or regional military conflicts, housing finance, and public health crises—that could affect the federal government’s financial condition in the future. These risks, also known as fiscal exposures, place additional pressure on the federal budget. They result in responsibilities, programs, and activities that may legally commit or create expectations for future federal spending based on current policy, past practices, or other factors. A more complete understanding of fiscal exposures can help policymakers anticipate changes in future spending and can enhance oversight of federal resources.

The 2023 Financial Report provides an estimate of the magnitude of policy changes needed to achieve a target debt-to-GDP ratio of 97 percent (the 2023 level) in 2098 (the fiscal gap). Policymakers could close the fiscal gap, achieving the target ratio, through a combination of revenue increases and noninterest spending reductions. To illustrate the magnitude of policy changes needed, if policymakers choose to close the fiscal gap solely through increased revenues, they would need to make policy changes over a 75-year period (fiscal years 2024 to 2098) that increase each year’s projected revenues by 23.8 percent. If policymakers choose to close the fiscal gap solely through reductions in noninterest spending, they would need to make policy changes over a 75-year period (fiscal years 2024 to 2098) that reduce each year’s projected noninterest spending by 19.8 percent. The projections show that the longer policy changes are delayed, the more significant the magnitude of policy changes will need to be to achieve the debt-to-GDP target.

**Equity Investments in Fannie Mae and Freddie Mac**

As discussed in Note 8, Investments in Government-Sponsored Enterprises, and Note 20, Commitments, to the consolidated financial statements, in 2008, during the financial crisis, the federal government placed Fannie Mae and Freddie Mac under federal conservatorship and entered into preferred stock purchase agreements with these government-sponsored enterprises (GSE) to help

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ensure their financial stability. The agreements with these GSEs could affect the federal government’s financial condition. As of September 30, 2023, the federal government reported about $240 billion of investments in these GSEs, which is net of about $70 billion in valuation losses. The reported maximum remaining contractual commitment to these GSEs, if needed, is $254.1 billion.

In valuing these equity investments, management considered and selected assumptions and data that it believed provided a reasonable basis for the estimated values reported in the accrual-based consolidated financial statements. However, as discussed in Note 1, Summary of Significant Accounting Policies, to the consolidated financial statements, there are many factors affecting these assumptions and estimates that are inherently subject to substantial uncertainty arising from the likelihood of future changes in general economic, regulatory, and market conditions. As such, there will be differences between the estimated values as of September 30, 2023, and the actual results, and such differences may be material.

Also, as discussed in Note 1, Summary of Significant Accounting Policies, to the consolidated financial statements, the assets, liabilities, and results of operations of Fannie Mae and Freddie Mac are not consolidated into the U.S. government’s consolidated financial statements. Treasury and OMB have determined that these entities do not meet the criteria for consolidation. The ultimate role of these GSEs could affect the federal government’s financial condition and the financial condition of certain federal entities, including the Federal Housing Administration (FHA), which in the past expanded its lending role in distressed housing and mortgage markets. In addition, as discussed in Note 21, Contingencies, to the consolidated financial statements, the Government National Mortgage Association (Ginnie Mae) guarantees the performance of about $2.5 trillion in securities backed by federally insured mortgages—$1.3 trillion of which were insured by FHA and $1.2 trillion by other federal entities, such as the Department of Veterans Affairs.

Other Matter

CFO Act Agency Financial Management Systems

The federal government’s ability to efficiently and effectively manage and oversee its day-to-day operations and programs relies heavily on the ability of entity financial management systems to produce complete, reliable, timely, and consistent financial information for use by executive branch agencies and Congress. The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to lead to system improvements that would result in CFO Act agency managers routinely having access to reliable, useful, and timely financial information with which to measure performance and increase accountability throughout the year.

The 24 CFO Act agencies are responsible for implementing and maintaining financial management systems that comply substantially with FFMIA requirements. FFMIA also requires auditors, as part of the 24 CFO Act agencies’ financial statement audits, to report whether those agencies’ financial

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20For additional information on the GSE preferred stock purchase agreements and valuation of the investment in the GSEs, see Note 8, Investments in Government-Sponsored Enterprises, to the consolidated financial statements. For additional information on the criteria used to determine which federal entities are included in the reporting entity for the consolidated financial statements, as well as the reasons for not including certain entities, such as Fannie Mae and Freddie Mac, see app. A of the 2023 Financial Report.

21The Federal Financial Management Improvement Act of 1996, which is reprinted in 31 U.S.C. § 3512 note, defines “financial management systems” to include the financial systems and the financial portions of mixed systems necessary to support financial management, including automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions.
management systems comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the federal government’s *U.S. Standard General Ledger* at the transaction level.

For both fiscal years 2023 and 2022, auditors for eight of the 24 CFO Act agencies reported that the agencies’ financial management systems did not comply substantially with one or more of the three FFMIA requirements. Agency management at the 24 CFO Act agencies also annually report on FFMIA compliance. For both fiscal years 2023 and 2022, agency management for seven of the 24 CFO Act agencies reported that their agencies’ financial management systems did not comply substantially with one or more of the three FFMIA requirements. Based on agency financial reports, differences in the assessments of substantial compliance between the auditors and agency management reflect differences in management’s and auditors’ views regarding the effect of reported deficiencies on agency financial management systems.

Long-standing financial management systems weaknesses at several large CFO Act agencies, along with the size and complexity of the federal government, continue to present a formidable management challenge in providing accountability and contribute significantly to certain material weaknesses and other limitations discussed in this audit report.

**Responsibilities of Management for the Consolidated Financial Statements**

Management of the federal government is responsible for (1) the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; and (3) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibility is to conduct an audit of the consolidated financial statements in accordance with U.S. generally accepted government auditing standards and to issue an auditor’s report. However, because of the matters described in the Basis for Disclaimers of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

We are required to be independent with respect to the U.S. government’s consolidated financial statements and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

**Required Supplementary Information**

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented in the *2023 Financial Report* to supplement the financial statements. Such information is the responsibility of management and, although the RSI is not a part of the financial statements, is required by FASAB, which considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards because of the material weaknesses and other scope limitations discussed in this audit report. We did not audit and do not express an opinion or provide any assurance on the RSI.
Readers are cautioned that the material weaknesses, significant uncertainties, and other scope limitations discussed in this audit report may affect the reliability of certain information contained in the RSI that is taken from the same data sources as the accrual-based consolidated financial statements and the sustainability financial statements.

Report on Internal Control over Financial Reporting

In connection with our audits of the U.S. government’s consolidated financial statements, we considered the federal government’s internal control over financial reporting, consistent with our auditor’s responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of the U.S. government’s internal control over financial reporting. Given this limitation and other limitations discussed in this audit report, material weaknesses or significant deficiencies may exist that have not been identified.

The material weaknesses discussed in this audit report resulted in ineffective internal control over financial reporting. Consequently, the federal government’s internal control did not provide reasonable assurance that a material misstatement of the consolidated financial statements would be prevented, or detected and corrected, on a timely basis.

In addition to the material weaknesses that contributed to our disclaimers of opinion on the accrual-based consolidated financial statements and the sustainability financial statements, which were discussed previously, we found two other continuing material weaknesses in internal control, related to

- determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them and
- identify and resolve information system control deficiencies and manage information security risks on an ongoing basis.

These other material weaknesses are discussed in more detail in appendix III, including the primary effects of the material weaknesses on the accrual-based consolidated financial statements and on the management of federal government operations.

We also found three significant deficiencies in internal controls related to the following:

- taxes receivable,
- federal grants management, and
- Medicare social insurance information.

These significant deficiencies are discussed in more detail in appendix IV.

Further, individual federal entity financial statement audit reports identified additional control deficiencies that the entities’ auditors reported as either material weaknesses or significant deficiencies

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22A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.
at the individual entity level. We do not consider these additional deficiencies to represent material weaknesses or significant deficiencies with respect to the U.S. government’s consolidated financial statements.

**Basis for Results of Our Consideration of Internal Control over Financial Reporting**

We performed our procedures related to the federal government’s internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

**Responsibilities of Management for Internal Control over Financial Reporting**

Management of the federal government is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibilities for Internal Control over Financial Reporting**

In planning and performing our audit of the U.S. government’s consolidated financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the federal government’s internal control over financial reporting. We are required to report significant deficiencies or material weaknesses identified during our audit. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

**Definition and Inherent Limitations of Internal Control over Financial Reporting**

An entity’s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws (including those governing the use of budget authority), regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

**Intended Purpose of Report on Internal Control over Financial Reporting**

The purpose of this report is solely to describe the scope of our consideration of the federal government’s internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the federal government’s internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.
Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the U.S. government’s consolidated financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor’s responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements were limited by certain material weaknesses and other scope limitations discussed in this audit report. The objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the federal government. Accordingly, we do not express such an opinion. U.S. generally accepted government auditing standards require auditors to report on entities’ compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements. Certain significant component entity audit reports contain instances of noncompliance. None of these instances were deemed to be reportable noncompliance with regard to the accompanying U.S. government’s consolidated financial statements.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Management of the federal government is responsible for the federal government’s compliance with laws, regulations, contracts, and grant agreements.

Auditor’s Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the federal government that have a direct effect on the determination of material amounts and disclosures in the U.S. government’s consolidated financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the federal government. We caution that, because of the limitations discussed above and the scope of our procedures, noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.
Agency Comments

We provided a draft of this audit report to Treasury and OMB officials, who provided technical comments that we have incorporated as appropriate. Treasury and OMB officials expressed their continuing commitment to addressing the problems this report outlines.

Robert F. Dacey
Chief Accountant
U.S. Government Accountability Office

February 7, 2024
Appendix I

Objectives, Scope, and Methodology

Our objectives were to audit the U.S. government's consolidated financial statements, consisting of the accrual-based consolidated financial statements and sustainability financial statements. The accrual-based consolidated financial statements consist of the (1) Statements of Net Cost, Statements of Operations and Changes in Net Position, Reconciliations of Net Operating Cost and Budget Deficit, and Statements of Changes in Cash Balance from Budget and Other Activities, for the fiscal years ended September 30, 2023, and 2022; (2) Balance Sheets as of September 30, 2023, and 2022; and (3) related notes to these financial statements. The sustainability financial statements consist of the 2023 and 2022 Statements of Long-Term Fiscal Projections; the 2023, 2022, 2021, 2020, and 2019 Statements of Social Insurance; the 2023 and 2022 Statements of Changes in Social Insurance Amounts; and related notes to these financial statements. Our objectives also included reporting on internal control over financial reporting and on compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements.

The Chief Financial Officers Act of 1990 (CFO Act), as expanded by the Government Management Reform Act of 1994 (GMRA), requires the inspectors general of the 24 CFO Act agencies to be responsible for annual audits of agency-wide financial statements that these agencies prepare.23 GMRA also requires GAO to be responsible for the audit of the U.S. government's consolidated financial statements.24 The Accountability of Tax Dollars Act of 2002 requires most other executive branch entities to prepare financial statements annually and have them audited.25 The Office of Management and Budget and the Department of the Treasury have identified 40 federal entities that are significant to the U.S. government's fiscal year 2023 consolidated financial statements, including the 24 CFO Act agencies.26 We consider these 40 entities to be significant component entities for purposes of our audit of the consolidated financial statements.

For the significant component entities audited by inspectors general or independent public accountants, we performed our work in coordination and cooperation with them to achieve our respective audit objectives. Our audit approach regarding the accrual-based consolidated financial statements primarily focused on determining the current status of the material weaknesses that contributed to our disclaimer of opinion on the accrual-based consolidated financial statements and the other material weaknesses affecting internal control that were included in our audit report on the consolidated financial statements for fiscal year 2022.27 We also separately audited the financial statements of certain component entities, and parts of a significant component entity, including the following.

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2331 U.S.C. § 3521(e). GMRA authorized the Office of Management and Budget to designate agency components that also must report financial statements and have them audited. See 31 U.S.C. § 3515(c).

2431 U.S.C. § 331(e)(2).


We audited and expressed an unmodified opinion on the Internal Revenue Service’s (IRS) financial statements as of and for the fiscal years ended September 30, 2023, and 2022.\(^{28}\) In fiscal years 2023 and 2022, IRS collected taxes of about $4.7 trillion (2023) and $4.9 trillion (2022) and paid refunds and other payments to taxpayers of about $659 billion (2023) and $642 billion (2022). We also reported that although internal controls could be improved, IRS maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023. In addition, we reported that we found no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

We audited and expressed an unmodified opinion on the Schedules of Federal Debt managed by Treasury’s Bureau of the Fiscal Service for the fiscal years ended September 30, 2023, and 2022.\(^ {29}\) For these fiscal years, the schedules reported (1) federal debt held by the public of about $26.3 trillion (2023) and $24.3 trillion (2022),\(^ {30}\) (2) intragovernmental debt holdings of about $6.8 trillion (2023) and $6.6 trillion (2022),\(^ {31}\) and (3) interest on federal debt held by the public of about $678 billion (2023) and $497 billion (2022). We also reported that Fiscal Service maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2023. In addition, we reported that we found no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested related to the Schedule of Federal Debt.

We audited and expressed unmodified opinions on the U.S. Securities and Exchange Commission’s (SEC) and its Investor Protection Fund’s (IPF) financial statements as of and for the fiscal years ended September 30, 2023, and 2022.\(^ {32}\) We also reported that SEC maintained, in all material respects, effective internal control over financial reporting for both the entity as a whole and IPF as of September 30, 2023. In addition, we reported that we found no reportable noncompliance for either SEC or IPF for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

We audited and expressed an unmodified opinion on the Federal Housing Finance Agency’s (FHFA) financial statements as of and for the fiscal years ended September 30, 2023, and 2022.\(^ {33}\) We also reported that although controls could be improved, FHFA maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023. In addition, we


\(^ {30}\)Debt held by the public on the Schedules of Federal Debt represents federal debt that Treasury issued and that is held by investors outside of the federal government, including individuals, corporations, state or local governments, the Federal Reserve, and foreign governments.

\(^ {31}\)Intragovernmental debt holdings represent federal debt that Treasury owes to federal government accounts, primarily federal trust funds, such as those established for Social Security and Medicare.


reported that we found no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

- We audited and expressed an unmodified opinion on the Office of Financial Stability’s (OFS) financial statements for the Troubled Asset Relief Program (TARP) as of and for the fiscal years ended September 30, 2023, and 2022. We also reported that OFS maintained, in all material respects, effective internal control over financial reporting for TARP as of September 30, 2023. In addition, we reported that we found no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested. This was our 15th and final financial statement audit of TARP. As of September 30, 2023, all TARP programs have closed, and there are no remaining troubled assets held by OFS.

- We audited and expressed an unmodified opinion on the Consumer Financial Protection Bureau’s (CFPB) financial statements as of and for the fiscal years ended September 30, 2023, and 2022. We also reported that CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023. In addition, we reported that we found no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

- We audited and expressed a disclaimer of opinion on the Schedules of the General Fund of the U.S. Government as of and for the fiscal year ended September 30, 2022. Underlying scope limitations, which were the basis for our disclaimer of opinion on the Schedules of the General Fund, related to readily identifying and tracing General Fund transactions to determine whether they were complete and properly recorded in the correct general ledger accounts and line items within the Schedules of the General Fund and (2) providing documentation to support the account attributes assigned to Treasury Account Symbols that determine how transactions are reported in the Schedules of the General Fund. The Schedules of the General Fund as of and for the fiscal year ended September 30, 2023, were not audited to allow Treasury time to develop and implement a remediation plan to address the issues we identified as part of our audit of the fiscal year 2022 Schedules of the General Fund.

We performed work related to Treasury’s processes and controls used to prepare the consolidated financial statements.

We considered the significant entities’ fiscal years 2023 and 2022 financial statements and the related auditors’ reports that the inspectors general or independent public accountants prepared. We did not audit, and we do not express an opinion on, any of these individual federal entity financial statements.

We considered the disclaimers of opinion that the Department of Defense (DOD) Office of Inspector General (OIG) issued on DOD’s department-wide financial statements as of and for the fiscal years

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ended September 30, 2023, and 2022. The disclaimers of opinion were partially based on the disclaimers of opinion for multiple DOD components, including the Army, Navy, Air Force, Defense Health Program, Defense Logistics Agency, U.S. Special Operations Command, and U.S. Transportation Command. DOD OIG also reported material weaknesses in internal control over financial reporting (28 in both fiscal year 2023 and fiscal year 2022), including those related to (1) property, plant, and equipment; (2) inventory and related property; (3) environmental and disposal liabilities; (4) disbursement activity; (5) intragovernmental transactions; and (6) information system controls.

We considered the disclaimers of opinion that the Small Business Administration’s (SBA) auditor issued on SBA’s balance sheets as of September 30, 2023, and 2022 (its remaining statements were unaudited). The disclaimers of opinion were based on SBA’s inability to provide adequate evidential matter in support of a significant number of transactions and account balances related to COVID-19 relief programs, such as the Paycheck Protection Program and the COVID-19 Economic Injury Disaster Loan program, because of inadequate processes and controls. SBA’s auditor also reported six material weaknesses in internal control over financial reporting in fiscal years 2023 and 2022, largely because of deficiencies related to COVID-19 relief programs.

We considered the disclaimers of opinion that the Department of Education’s auditor issued on the department’s balance sheet as of September 30, 2023 (its remaining statements were unaudited), and its financial statements as of and for the fiscal year ended September 30, 2022. The disclaimers of opinion were based on Education’s inability to provide adequate evidential matter to support certain key assumptions used to estimate the cost of its student loan programs. Education’s auditor reported a material weakness in internal control over financial reporting in fiscal years 2023 and 2022 related to loans receivable and loan guarantees.

Our audit approach for the 2023 and 2022 Statements of Long-Term Fiscal Projections focused primarily on determining whether the information relating to the Statements of Social Insurance is properly reflected therein and testing the methodology used, as well as evaluating key assumptions. We also evaluated whether the internal control deficiencies related to the accrual-based consolidated financial statements affected certain key inputs used in generating the projections.

Because of the significance of the amounts presented in the Statements of Social Insurance and Statements of Changes in Social Insurance Amounts related to the Social Security Administration (SSA) and the Department of Health and Human Services (HHS), our audit approach regarding these statements focused primarily on reviewing audit work performed with respect to these two federal entities. For each federal entity preparing a Statement of Social Insurance and Statement of Changes in Social Insurance Amounts, we considered the entity’s 2023, 2022, 2021, 2020, and 2019 Statements of Social Insurance and the 2023 and 2022 Statements of Changes in Social Insurance Amounts, as well as the related auditor’s reports that the inspectors general or independent public accountants prepared. This included considering the disclaimers of opinion that HHS’s auditor issued.

40These entities are SSA, HHS, the Railroad Retirement Board, and the Department of Labor.

We performed sufficient audit work to provide our reports on (1) the consolidated financial statements; (2) internal control over financial reporting; and (3) compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements. We considered the limitations on the scope of our work regarding the accrual-based consolidated financial statements and the sustainability financial statements in forming our conclusions. We performed our work in accordance with U.S. generally accepted government auditing standards.
Appendix II

Material Weaknesses Contributing to Our Disclaimer of Opinion on the Accrual-Based Consolidated Financial Statements

This appendix describes material weaknesses that contributed to our disclaimer of opinion on the U.S. government’s accrual-based consolidated financial statements and highlights the primary effects of these material weaknesses on the accompanying accrual-based consolidated financial statements, the sustainability financial statements, and the management of federal government operations. The federal government did not have sufficient appropriate evidence to support information reported in the accompanying accrual-based consolidated financial statements, as described below.

Property, Plant, and Equipment and Inventories and Related Property

The federal government could not satisfactorily determine that property, plant, and equipment (PP&E) and inventories and related property were properly reported in the accrual-based consolidated financial statements. Most of the PP&E and inventories and related property are the responsibility of the Department of Defense (DOD). As in past years, DOD did not maintain adequate systems or have sufficient records to provide reliable information on these assets. Certain other entities’ auditors reported continued deficiencies in internal control procedures and processes related to PP&E.

Deficiencies in internal control over PP&E and inventories and related property could affect the federal government’s ability to fully know the assets it owns, including their location and condition. They can also affect the government’s ability to effectively (1) safeguard assets from physical deterioration, theft, or loss; (2) account for acquisitions and disposals of such assets and reliably report asset balances; (3) ensure that these assets are available for use when needed; (4) prevent unnecessary storage and maintenance costs or purchase of assets already on hand; and (5) determine the full costs of programs that use these assets.

Loans Receivable and Loan Guarantees

The federal government could not reasonably estimate or adequately support amounts of loans receivable and loan guarantees, most notably at the Small Business Administration (SBA) and Department of Education. The auditor of SBA, which had substantial activity related to the COVID-19 pandemic response, reported internal control deficiencies related to SBA’s implementation of provisions in the CARES Act and related COVID-19 relief laws. SBA’s auditor reported several material weaknesses in internal control related to the Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loan program. In addition, the auditor reported that SBA did not properly design and implement effective entity-level controls, such as risk assessment and monitoring controls that produce reliable and accurate financial reporting.

The auditor of Education continued to report a material weakness related to the department’s controls over the data used for estimating the costs of its loan and loan guarantee programs. For example, Education did not design and implement sufficient controls over the relevance and reliability of certain data used to develop key assumptions in its estimate of the student loan program costs. In addition, an internal control deficiency related to loan guarantees continued to exist at the Department of Veterans Affairs.

41The material weakness related to the Reconciliations of Budget Deficit to Net Operating Cost and Changes in Cash Balance also contributed to our disclaimer of opinion on the 2023 and 2022 Statements of Long-Term Fiscal Projections.
These deficiencies, and the complexities associated with accounting and reporting for loan and loan
guarantee programs, significantly increase the risk that misstatements in federal entity and
government-wide financial statements could occur and go undetected. Further, these deficiencies can
adversely affect the entities’ ability to support annual budget requests for these programs, make future
budgetary decisions, manage program costs, and measure the performance of lending activities.

Liabilities and Commitments and Contingencies

The federal government could not reasonably estimate or adequately support amounts reported for
certain liabilities. For example, DOD’s auditor was not able to substantiate the completeness and
accuracy of DOD’s environmental and disposal liabilities. In addition, DOD’s auditor reported that DOD
could not support a significant amount of its estimated military postretirement health benefits liabilities
included in federal employee and veteran benefits payable. These unsupported amounts relate to the
cost of direct health care that DOD-managed military treatment facilities provided. In addition, auditors
reported internal control deficiencies at several other federal entities that related to material liabilities.
Further, the federal government could not determine whether commitments and contingencies,
including any related to treaties and other international agreements, were complete and properly
reported.

Problems in accounting for liabilities could affect the federal government’s ability to determine the full
cost of the federal government’s current operations and the extent of its liabilities. Also, deficiencies in
internal control related to estimating environmental and disposal liabilities could result in improperly
stated liabilities. They also could adversely affect the federal government’s ability to determine priorities
for cleanup and disposal activities and to appropriately consider future budgetary resources needed to
carry out these activities. In addition, to the extent disclosures of commitments and contingencies are
incomplete or incorrect, reliable information is not available about the extent of the federal
government’s obligations.

Cost of Government Operations and Disbursement Activity

Reported net cost was affected by the other material weaknesses that contributed to our disclaimer of
opinion on the accrual-based consolidated financial statements. As a result, the federal government
was unable to support significant portions of the reported total net cost of operations, most notably
those related to DOD, SBA, and Education.

With respect to disbursements, auditors of DOD and certain other federal entities reported (1)
continuing control deficiencies in reconciling disbursement activity between federal entities’ and the
Department of the Treasury’s records of disbursements and (2) unsupported federal entity adjustments,
which could also affect the balance sheet.

Unreliable cost information affects the federal government’s ability to control and reduce costs, assess
performance, evaluate programs, and set fees to recover costs where required or authorized.
Improperly recorded disbursements could result in misstatements in the financial statements and in
certain data that federal entities provide for inclusion in the President’s Budget concerning obligations
and outlays.

Intragovernmental Activity and Balances

Significant progress has been made over the past several years, but the federal government continues
to be unable to adequately account for intragovernmental activity and balances between federal
entities. Federal entities are responsible for properly accounting for and reporting their
intragovernmental activity and balances in their entity financial statements. When preparing the
consolidated financial statements, intragovernmental activity and balances between federal entities should be in agreement and must be subtracted out, or eliminated, from the financial statements. If the two federal entities engaged in an intragovernmental transaction do not both record the same intragovernmental transaction in the same year and for the same amount, the intragovernmental transactions will not be in agreement and, if not properly resolved, would result in misstatements (i.e., differences or unmatched amounts) in the consolidated financial statements.

The Office of Management and Budget (OMB) and Treasury have issued guidance directing component entities to reconcile intragovernmental activity and balances with their trading partners and resolve identified differences. In addition, the guidance directs the chief financial officers (CFO) of significant component entities to report to Treasury, their respective inspectors general, and GAO on the extent and results of their intragovernmental activity and balance reconciliation efforts as of the end of the fiscal year.

To support this process during fiscal year 2023, Treasury continued to provide information and assistance to significant component entities to aid in resolving their intragovernmental differences. Treasury also issued additional guidance to entities for specific types of trading partner transactions. In addition, Treasury’s quarterly scorecard process highlights differences needing the entities’ attention, identifies differences that need to be resolved through a formal dispute resolution process, and reinforces the entities’ responsibilities to resolve intragovernmental differences. Treasury continued to identify and monitor systemic root causes of intragovernmental differences and related corrective action plans. Treasury determines intragovernmental differences by comparing summarized intragovernmental balances that each component entity reports. In fiscal year 2023, Treasury was able to work with component entities to reduce intragovernmental differences to amounts Treasury determined were immaterial to the consolidated financial statements. Treasury recorded an adjustment to remove the remaining differences with an offsetting adjustment to net cost.

While progress was made, auditors for several significant component entities continued to report that the entities did not have effective processes for reconciling intragovernmental activity and balances with their trading partners. In fiscal year 2023, auditors reported that several component entities could not accurately identify all intragovernmental transactions and were unable to fully reconcile intragovernmental transactions with their trading partners. For example, DOD’s auditor reported that DOD, which has a substantial amount of intragovernmental activity and balances, did not have accounting systems that were able to capture the trading partner data required to eliminate intradepartmental and intragovernmental transactions, which resulted in a risk of material misstatements. In addition, other material weaknesses reported by DOD’s auditor could contribute to this material weakness. Such weaknesses could result in material misstatements in the component entities’ intragovernmental balances reported to Treasury.

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42Treasury produces a quarterly scorecard for each significant entity, as well as any other component entity reporting significant intragovernmental balances or differences, that reports various aspects of each entity’s intragovernmental differences with its trading partners, including the composition of the differences by trading partner and category. Pursuant to Treasury guidance, entities are expected to resolve, with their respective trading partners, the differences identified in their scorecards.

43When an entity and its respective trading partner cannot resolve an intragovernmental difference, Treasury guidance directs the entity to request that Treasury resolve the dispute. Treasury will review the dispute and issue a decision on how to resolve the difference, which the entities must follow.

44Key entities contributing to the material weakness for intragovernmental activity and balances include the Department of Defense, Department of Veterans Affairs, Department of State, and Security Assistance Accounts.
These internal control deficiencies over intragovernmental activity and balances at the component entities could result in material misstatements in the accrual-based consolidated financial statements due to (1) unresolved differences in component entity intragovernmental activity and balances at the transaction level and (2) misstatements in the summarized intragovernmental information reported to Treasury. Also, intragovernmental differences in the summarized intragovernmental information reported to Treasury could result in the need for Treasury to record material unmatched transactions and balances to balance the consolidated financial statements. Addressing these deficiencies remain a difficult challenge and will require federal entities’ strong and sustained commitment to resolving differences with their trading partners timely, as well as Treasury’s and OMB’s continued strong leadership.

Preparation of Consolidated Financial Statements

Treasury, in coordination with OMB, implemented corrective actions in recent years related to deficiencies in the preparation of the consolidated financial statements. Corrective actions included improving systems and implementing new processes for preparing the consolidated financial statements, enhancing guidance for collecting data from component entities, and implementing procedures to address certain previously issued internal control deficiencies. However, the federal government’s systems, controls, and procedures were not adequate to reasonably assure that the consolidated financial statements are consistent with the underlying audited entity financial statements, properly balanced, and in accordance with U.S. generally accepted accounting principles (U.S. GAAP). During our fiscal year 2023 audit, deficiencies in the preparation of the consolidated financial statements included the following.

- For fiscal year 2023, auditors reported internal control deficiencies at several component entities related to their entity-level controls, including the control environment, risk assessment, information and communication, and monitoring components of internal control, that could affect Treasury’s ability to obtain reliable financial information from federal entities for consolidation. For example, DOD and SBA reported material weaknesses in entity-level controls.

- For fiscal year 2023, auditors reported internal control deficiencies at several component entities related to the entities’ financial reporting processes that could affect information included in the consolidated financial statements. For example, DOD could not demonstrate that its financial statements were consistent with underlying records.

- While Treasury, working with component entities, was able to reduce intragovernmental differences in fiscal year 2023 to an immaterial amount based on component entities reported data, the intragovernmental material weakness discussed above continued to impair Treasury’s ability to properly balance the consolidated financial statements. Intragovernmental differences in the summarized intragovernmental information reported to Treasury could result in the need for Treasury to record material unmatched transactions and balances to balance the consolidated financial statements.

- Over the past several years, Treasury has taken significant actions to work toward reporting and disclosing financial information in the consolidated financial statements in accordance with U.S. GAAP. For example, Treasury has developed and improved U.S. GAAP compliance operating procedures and checklists. Also, Treasury, along with the Department of State, issued guidance to

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federal entities and formed a working group that is implementing a multiphase methodology to review treaties and other international agreements for potential contingencies.

However, Treasury’s reporting of certain financial information required by U.S. GAAP continues to be impaired. Because of certain control deficiencies noted in this audit report, Treasury cannot determine if the disclosures in the consolidated financial statements are in accordance with U.S. GAAP. In addition, Treasury did not have adequate policies and procedures to reasonably assure appropriate accounting and reporting for significant, unusual transactions or events, such as the Special Financial Assistance (SFA) program established by the American Rescue Plan Act of 2021. Further, Treasury’s ability to report information in accordance with U.S. GAAP will also remain impaired until federal entities can provide Treasury with the complete and reliable information required to be reported in the consolidated financial statements.

In fiscal year 2023, Treasury continued to take corrective actions intended to resolve internal control deficiencies in the processes used to prepare the consolidated financial statements. For example, Treasury enhanced procedures for (1) considering the impact of amounts and information not obtained from significant component entities’ audited financial statements on the reliability of the consolidated financial statements and (2) reviewing significant component entity data submissions. In addition, Treasury and OMB continued to enhance guidance for component entity financial reporting.

However, until these deficiencies have been fully addressed, the federal government’s ability to reasonably assure that the consolidated financial statements are consistent with the underlying audited federal component entities’ financial statements, properly balanced, and in accordance with U.S. GAAP will be impaired. It is important that Treasury (1) continues to improve its systems and processes and (2) remains committed to maintaining the progress that has been made in this area and building on that progress to make needed improvements that fully address the magnitude of the financial reporting challenges it faces. Resolving the remaining internal control deficiencies continues to be a difficult challenge and will require a strong and sustained commitment from Treasury, OMB, and federal entities.

Reconciliations of Budget Deficit to Net Operating Cost and Changes in Cash Balance

The Reconciliations of Net Operating Cost and Budget Deficit and the Statements of Changes in Cash Balance from Budget and Other Activities (Reconciliation Statements) reconcile (1) the accrual-based net operating cost to the primarily cash-based budget deficit and (2) the budget deficit to changes in cash balances. The budget deficit is calculated by subtracting actual budget outlays (outlays) from actual budget receipts (receipts). The outlays and receipts are key inputs to the Statements of Long-Term Fiscal Projections.

Treasury continued to develop its process for preparing the Reconciliation Statements. One of the two Schedules of the General Fund of the U.S. Government provides information supporting the following notes:

46Pub. L. No. 117-2, § 9704, 135 Stat. 4, 190-99 (Mar. 11, 2021), classified at 29 U.S.C. §§ 1305(i), 1432. The American Rescue Plan Act of 2021 established the SFA program to provide payments to eligible multiemployer pension plans to enable them to pay benefits at plan levels through 2051.

47The budget deficit, receipts, and outlays amounts are reported in Treasury’s Monthly Treasury Statement and the President’s Budget.
Statements of Changes in Cash Balance from Budget and Other Activities. Treasury continued to coordinate with federal entities on the implementation of newly developed transaction codes designed to improve the accounting for and reporting of General Fund transactions and balances that Treasury uses to compute the budget deficit reported in the Reconciliation Statements.

However, as of the end of fiscal year 2023, Treasury’s processes and procedures for preparing the Reconciliation Statements were not effective in (1) identifying and reporting all the items in the Reconciliation Statements, (2) properly supporting amounts used in calculating the budget deficit, and (3) reasonably assuring that the information in these statements was fully consistent with the underlying information in the significant component entities’ audited financial statements and other financial data.

For example, as reported in our disclaimer of opinion on the fiscal year 2022 Schedules of the General Fund, Treasury was unable to readily provide sufficient appropriate evidence to support certain information reported in the Schedules of the General Fund. Such limitations primarily related to readily identifying and tracing transactions to determine whether they were complete and properly recorded in the Schedules of the General Fund. Specifically, certain amounts are netted and recorded at a summarized level, thus preventing Treasury from readily obtaining the necessary details, at the transaction level, to support financial reporting for certain line items in the Statements of Changes in Cash Balance from Budget and Other Activities.

In addition, in fiscal year 2023, as in prior years, we noted that several entities’ auditors reported internal control deficiencies related to monitoring, accounting, reconciliation, and reporting of budgetary transactions, including deficiencies related to federal entities’ budget and accrual reconciliations. These control deficiencies could affect the reporting and calculation of the net outlay amounts in the entities’ Statements of Budgetary Resources. Such deficiencies may also affect the entities’ ability to report reliable budgetary information to Treasury and OMB and may affect the budget deficit reported in the Reconciliation Statements. Treasury also reports the budget deficit in its Combined Statement of Receipts, Outlays, and Balances and in other federal government publications.

These internal control deficiencies related to the Reconciliation Statements could result in misstatements that are material to the accrual-based consolidated financial statements. Resolving these deficiencies continues to be a difficult challenge and will require a strong and sustained commitment from Treasury, OMB, and federal entities.

48The General Fund is a component of Treasury’s central accounting function. It is a stand-alone reporting entity that comprises the activities fundamental to funding the federal government (e.g., issued budget authority, cash activity, and debt financing activities).

49GAO, Financial Audit: Bureau of the Fiscal Service’s FY 2022 Schedules of the General Fund, GAO-23-104786 (Washington, D.C.: Mar. 30, 2023). The fiscal year 2023 Schedules of the General Fund were not audited to allow Treasury time to continue to implement a remediation plan to address the issues we reported as part of our disclaimer of opinion on the fiscal year 2022 Schedules of the General Fund.

50Statement of Federal Financial Accounting Standards (SFFAS) 53, Budget and Accrual Reconciliation: Amending SFFAS 7, and 24, and Rescinding SFFAS 22, became effective for periods beginning after September 30, 2018, and provides for the budget and accrual reconciliation to replace the statement of financing. The reconciliation explains the relationship between an entity’s net outlays on a budgetary basis and its net cost of operations during the period.

51Treasury’s Combined Statement of Receipts, Outlays, and Balances presents budget results and cash-related assets and liabilities of the federal government with supporting details. According to Treasury, this report is the recognized official publication of receipts and outlays of the federal government based on entity reporting.
Appendix III

Other Material Weaknesses

Material weaknesses in internal control discussed in this audit report resulted in ineffective controls over financial reporting. In addition to the material weaknesses discussed in appendix II that contributed to our disclaimer of opinion on the U.S. government’s accrual-based consolidated financial statements, we found two other continuing material weaknesses in internal control. This appendix describes these weaknesses and highlights their primary effects on the accrual-based consolidated financial statements and on the management of federal government operations.

Improper Payments

We have reported improper payments—payments that should not have been made or that were made in an incorrect amount—as a material deficiency or material weakness in internal control in our audit reports on the U.S. government’s consolidated financial statements since fiscal year 1997. The federal government is unable to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them. Reducing improper payments is critical to safeguarding federal funds. The Payment Integrity Information Act of 2019 (PIIA) requires federal executive agencies to do the following:

1. Review all programs and activities.
2. Identify those that may be susceptible to significant improper payments.
3. Estimate the annual amount of improper payments for those programs and activities identified as susceptible to significant improper payments.
4. Implement actions to reduce improper payments and set reduction targets with respect to the risk-susceptible programs and activities.
5. Report on the results of addressing the foregoing requirements.

Fourteen agencies reported improper payment estimates totaling about $236 billion for fiscal year 2023, based on improper payment estimates reported individually for 71 federal programs or activities on www.PaymentAccuracy.gov. Most of the estimate was concentrated in the following areas: Department of Health and Human Services’ (HHS) Medicare, consisting of three programs (§51.2

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52 Under the Payment Integrity Information Act of 2019 (PIIA), Pub. L. No. 116-117, 134 Stat. 113 (Mar. 2, 2020), an improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. See 31 U.S.C. § 3351(4). PIIA also provides that when an executive agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be included in the improper payment estimate. 31 U.S.C. § 3352(c)(2).


54 For PIIA purposes, executive agency means a department, an agency, or an instrumentality in the executive branch of the United States government. 31 U.S.C. § 102.


The fiscal year 2023 government-wide total of reported estimated improper payments, among programs and activities that reported estimates, decreased by about $11 billion from the fiscal year 2022 estimated total of about $247 billion. The specific programs and activities included in the government-wide total of reported improper payment estimates may change from year to year. While increases in estimated improper payments were reported for several programs and activities, these were more than offset by decreases for certain other programs and activities. For example, HHS reported a decrease of about $30 billion in estimated improper payments for Medicaid in fiscal year 2023. According to HHS, this decrease was due to (1) certain flexibilities afforded to states during the COVID-19 pandemic, such as postponed eligibility determinations and reduced requirements around provider enrollment or revalidations, and (2) improved state compliance with Medicaid requirements.

It is important to note that reported improper payment estimates include overpayments, underpayments, and payments for which the agency could not find sufficient documentation. Estimates may also be based on payment data and sampling drawn from periods that do not coincide with the fiscal year for which the estimates are reported. Federal agencies reported about 74 percent of the government-wide estimate as overpayments.

The $236 billion of reported improper payment estimates for fiscal year 2023 does not include estimates of certain risk-susceptible programs. For example, HHS’s Temporary Assistance for Needy Families program did not have an estimate of improper payments for fiscal year 2023.

While all fraudulent payments are considered improper, not all improper payments are due to fraud. Also, the improper payment estimation process is not designed to detect or measure the amount of fraud that may exist. For example, improper payment estimates may not fully incorporate fraud that involves sophisticated fraud schemes, collusion, document falsification, or false statements (e.g., especially where an agency relies on an applicant’s self-certification for eligibility of payments). Although challenging to develop, specific estimates of fraud in a program can provide valuable information for improving fraud risk management. PIIA includes certain requirements related to fraud risk management.

If an agency’s inspector general determines that the entity is not in compliance with certain criteria listed in PIIA, such as maintaining an estimated improper payment rate of less than 10 percent for all risk-susceptible programs and activities, that agency must submit a plan to Congress describing the actions it will take to come into compliance. For fiscal year 2023, agencies reported estimated improper payment rates of 10 percent or greater for 16 risk-susceptible programs and activities, which collectively account for about 46 percent of the government-wide total of reported estimated improper payments. Additionally, the Office of Management and Budget (OMB) reported that 25 percent of agencies were not in compliance with PIIA criteria for fiscal year 2022, the latest year for the inspector general compliance reports.

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57The Medicare program consists of the Fee-For-Service, Part C, and Part D programs.


60The improper payment rate reflects the estimated improper payments as a percentage of total annual outlays.
Further, agency auditors continued to report internal control deficiencies over financial reporting in their fiscal year 2023 financial statement audit reports, such as financial system limitations and information system control weaknesses. Such deficiencies could significantly increase the risk that improper payments may occur and not be detected promptly.

The fiscal year 2023 President’s Budget included program integrity proposals at multiple agencies aimed at reducing improper payments. Also, efforts continue to implement PIIPA requirements to better identify and prevent improper payments, waste, fraud, and abuse, as well as to recover overpayments. In addition, the statutory Do Not Pay initiative under PIIPA requires agencies to review prepayment and pre-award procedures and ensure a thorough review of available databases to determine program or award eligibility before the release of any federal funds. PIIPA also directs OMB to annually identify a list of high-priority federal programs for greater levels of oversight and review and requires each agency responsible for administering one of these high-priority programs to submit a program report to its inspector general annually and make the report available to the public.

Until the federal government has implemented effective processes to determine the full extent to which improper payments occur and has taken appropriate actions across agencies, programs, and activities to effectively reduce improper payments, it will not have reasonable assurance that the use of federal funds is adequately safeguarded.

Information System Controls

We have reported information security (controls in information systems) as a government-wide material weakness since fiscal year 1997. During our fiscal year 2023 audit, we found that serious and widespread information system control deficiencies continued to place the federal government at risk of inadvertent or deliberate misuse of federal assets, unauthorized modification or destruction of financial information, inappropriate disclosure of sensitive information, and disruption of critical operations.

Thirteen of the 24 agencies covered by the Chief Financial Officers Act of 1990 reported material weaknesses or significant deficiencies in information system controls. Specifically, auditors identified control deficiencies related to (1) security management; (2) access to computer data, equipment, and facilities; (3) changes to and configuration of information system resources; (4) segregation of incompatible duties; and (5) contingency planning.

Most of the significant component entities that reported information system controls as a material weakness or significant deficiency for fiscal year 2023 identified weaknesses related to security management, access controls, configuration management, or combinations thereof. Security management is the foundation of a security-control structure and reflects senior management’s commitment to addressing security risks. Security management programs should provide a framework and continuous cycle of activity for managing risk, developing and implementing effective security policies, assigning responsibilities, and monitoring the adequacy of the entity’s information system controls. Without a well-designed security management program, information system controls may be

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62OMB has designated high-priority programs as those programs and activities with improper payment monetary loss (also known as overpayments) estimates that exceed $100 million annually.

63We have also designated information security as a government-wide high-risk area since 1997. For more information, see 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).
inadequate; responsibilities may be unclear, misunderstood, or improperly implemented; and controls may be inconsistently applied. In addition, such conditions may lead to insufficient protection of sensitive or critical resources, improper or unauthorized changes to information systems, and disproportionately low expenditures for controls over high-risk resources.

The emergence of increasingly sophisticated threats and the frequency of incidents underscores the continuing and urgent need for effective information system controls. In May 2023, OMB stated that federal agencies reported 30,659 information security incidents to the Department of Homeland Security in fiscal year 2022. In addition, OMB reported three major incidents, all involving personally identifiable information, at the Departments of Agriculture, Education, and the Treasury. In March and July 2023, the White House issued its National Cybersecurity Strategy and accompanying implementation plan, respectively, to describe the administration’s plan for addressing the nation’s long-standing cybersecurity challenges—including those pertaining to updating federal incident response plans and processes.

Until federal entities strengthen security management programs and resolve reported information system control deficiencies, the federal government will continue to be at increased risk of inadvertent or deliberate misuse of federal assets, unauthorized modification or destruction of financial information, inappropriate disclosure of sensitive information, and disruption of critical operations.

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64See, for example, GAO, Cybersecurity: Federal Agencies Made Progress, but Need to Fully Implement Incident Response Requirements, GAO-24-105658 (Washington, D.C.: Dec. 4, 2023).

65A security (or cyber) incident is a security breach of an information system and information.


Appendix IV

Significant Deficiencies

In addition to the material weaknesses discussed in appendixes II and III, we found three significant deficiencies in the federal government’s internal control related to maintaining effective internal controls at certain federal entities, as described below.

Taxes Receivable

During fiscal year 2023, a significant deficiency continued to affect the federal government’s ability to manage its taxes receivable effectively. While the Department of the Treasury’s Internal Revenue Service (IRS) made necessary and appropriate adjustments derived from a statistical estimation process to correct its financial statements, IRS’s underlying records did not always reflect the correct amount of taxes owed to the federal government because of financial system limitations and other control deficiencies that led to errors in taxpayers’ accounts. Such inaccurate tax records impair management’s ability to effectively manage taxes receivable throughout the year and place an undue burden on taxpayers, who may be compelled to respond to IRS inquiries caused by errors in taxpayer accounts.

Federal Grants Management

In fiscal year 2023, several federal entities’ auditors continued to identify internal control deficiencies related to grants management. Reported deficiencies primarily related to accounting for grants, monitoring of grant activities, and estimating grant accruals. These internal control deficiencies could adversely affect the federal government’s ability to provide reliable financial statements as well as reasonable assurance that grants are awarded properly, recipients are eligible, and federal grant funds are used as intended.

Medicare Social Insurance Information

In fiscal year 2023, auditors for the Department of Health and Human Services (HHS) continued to identify internal control deficiencies in certain controls related to the sufficiency of the review of methodologies and related calculations and estimates that HHS used to prepare its Statement of Social Insurance for the Medicare program. Specifically, HHS’s auditor identified formula errors in certain spreadsheets used to prepare the Statement of Social Insurance that HHS’s monitoring and review function did not detect. Such control deficiencies could result in misstatements to the Statement of Social Insurance.

68Key entities contributing to the significant deficiency for federal grants management include the Small Business Administration, Department of Health and Human Services, and Department of Housing and Urban Development.