



Highlights of [GAO-06-415](#), a report to the Secretary of the Treasury and the Director of the Office of Management and Budget

Why GAO Did This Study

For the past 9 years, since our first audit of the consolidated financial statements of the U.S. government (CFS), certain material weaknesses in internal control and in selected accounting and financial reporting practices have resulted in conditions that prevented GAO from expressing an opinion on the CFS. Specifically, GAO has reported that the U.S. government did not have adequate systems, controls, and procedures to properly prepare the CFS. Included with GAO's December 2005 disclaimer of opinion on the fiscal year 2005 CFS was its discussion of continuing weaknesses relating to the Department of the Treasury's (Treasury) preparation of the CFS. The purpose of this report is to (1) provide details of those additional weaknesses, (2) recommend improvements, and (3) describe the status of corrective actions on GAO's previous 154 recommendations.

What GAO Recommends

GAO is making 12 new recommendations to address compilation and reporting weaknesses identified during the fiscal year 2005 CFS audit. The Office of Management and Budget stated that it generally agreed with the new findings in this report. Treasury stated that it concurs with 11 of our recommendations. For the twelfth recommendation, Treasury offered an alternative solution that we believe should address our concern if it is effectively implemented.

www.gao.gov/cgi-bin/getrpt?GAO-06-415.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gary T. Engel at (202) 512-3406 or engelg@gao.gov.

FINANCIAL AUDIT

Significant Internal Control Weaknesses Remain in Preparing the Consolidated Financial Statements of the U.S. Government

What GAO Found

GAO identified weaknesses during its tests of Treasury's process for preparing the fiscal year 2005 CFS. Such weaknesses in the CFS preparation process impair the U.S. government's ability to ensure that the CFS is consistent with the underlying audited agency financial statements, properly balanced, and in conformity with U.S. generally accepted accounting principles.

The weaknesses GAO identified during the fiscal year 2005 CFS audit involved the following areas:

- directly linking audited federal agency financial statements to the CFS,
- comparability of financial statements,
- audit assurance over certain federal agencies' closing packages,
- internal control monitoring,
- consolidated reporting guidance to federal agencies,
- reconciling of intragovernmental activity and balances, and
- various other internal control weaknesses that were identified in previous years' audits but remained in fiscal year 2005 (see app. D).

Of the 154 recommendations GAO reported in May 2005 regarding the process for preparing the CFS, 131 remained open as of December 2, 2005, when GAO completed its fieldwork for the audit of the fiscal year 2005 CFS. However, 76 of these 131 recommendations relate to specific disclosures required under U.S. generally accepted accounting principles. Treasury has submitted a proposal to the Federal Accounting Standards Advisory Board (FASAB) seeking to amend previously issued standards and eliminate or lessen the disclosure requirements for the consolidated financial statements so that U.S. generally accepted accounting principles would no longer require certain of the information Treasury has not been reporting. Comments on the exposure draft of a proposed FASAB standard, based on the Treasury proposal, were due March 1, 2006. GAO will continue to monitor the status of corrective actions to address open recommendations during its fiscal year 2006 audit of the CFS.