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**Comptroller General
of the United States**

**United States Government Accountability Office
Washington, DC 20548**

PRESS RELEASE

**GAO: Some Progress on U.S. Government's Financial Statements
But Significant Problems Remain**

***Serious Material Weaknesses Affecting Financial Systems,
Fundamental Recordkeeping, and Financial Reporting***

WASHINGTON (December 17, 2007) - For the 11th year in a row, the U.S. Government Accountability Office (GAO) was prevented from expressing an opinion on the consolidated financial statements of the U.S. government—other than the Statement of Social Insurance—because of serious material weaknesses affecting financial systems, fundamental recordkeeping, and financial reporting.

David M. Walker, the Comptroller General of the United States and head of GAO, did note some progress in this year's audit. This year, GAO expressed an unqualified opinion on the fiscal year 2007 Statement of Social Insurance, which includes the Social Security, Medicare, Railroad Retirement, and Black Lung programs. This is significant because the statement covers some of the largest numbers in the federal government—tens of trillions of present-value dollars associated with future social insurance expenditures.

Overall, however, Walker was not satisfied. In a speech today at the National Press Club, he said, "If the federal government was a private corporation and the same report came out this morning, our stock would be dropping and there would be talk about whether the company's management and directors needed a major shake-up." Walker urged greater transparency and accountability over the federal government's operations, financial condition, and fiscal outlook.

Despite improvements in financial management since the U.S. government began preparing consolidated financial statements more than a decade ago, three major impediments prevent the U.S. government from obtaining a clean opinion: (1) serious financial management problems at the Department of Defense, (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies, and (3) the federal government's ineffective process for preparing the consolidated financial statements.

"Until the problems outlined in our audit report are adequately addressed, they will continue to have adverse implications for the federal government and American taxpayers," Walker said in a letter to the President and Congress.

“The federal government’s fiscal exposures totaled approximately \$53 trillion as of September 30, 2007, up more than \$2 trillion from September 30, 2006, and an increase of more than \$32 trillion from about \$20 trillion as of September 30, 2000.” Walker said. “This translates into a current burden of about \$175,000 per American or approximately \$455,000 per American household.”

The fiscal year 2007 Financial Report of the United States Government, which includes financial information from the 24 major federal departments and agencies and GAO’s audit report, is being released today by the Treasury Department. It is also available on GAO’s web site at <http://www.gao.gov/financial.html>

For more information, contact GAO’s Office of Public Affairs at (202) 512-4800.

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