GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

February 15, 2018

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

To operate as effectively and efficiently as possible, Congress, the administration, and federal managers must have ready access to reliable and complete financial and performance information—both for individual federal entities and for the federal government as a whole. Our report on the U.S. government's consolidated financial statements for fiscal years 2017 and 2016 underscores that much work remains to improve federal financial management and that the federal government continues to face an unsustainable long-term fiscal path.

Our audit report on the U.S. government's consolidated financial statements is enclosed. In summary, 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 prevented us from expressing an opinion on the accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2017, and 2016.[2] About 38 percent of the federal government's reported total assets as of September 30, 2017, and approximately 20 percent of the federal government's reported net cost for fiscal year 2017 relate to significant federal entities that as of the date of our audit report, were unable to issue audited financial statements, were unable to receive audit opinions on the complete set of financial statements, or received a disclaimer of opinion on their fiscal year 2017 financial statements.[3]

- Significant uncertainties (discussed in Note 22 to the consolidated financial statements), primarily related to the achievement of projected reductions in Medicare cost growth, prevented us from

[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, or detect and correct, misstatements on a timely basis.

[2]The accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2017, and 2016, consist of the (1) Statements of Net Cost, (2) Statements of Operations and Changes in Net Position, (3) Reconciliations of Net Operating Cost and Budget Deficit, (4) Statements of Changes in Cash Balance from Budget and Other Activities, and (5) Balance Sheets, including the related notes to these financial statements. Most revenues are recorded on a modified cash basis.

[3]As of the date of this audit report, the audited fiscal year 2017 financial statements for the Department of Energy were not issued. The Department of Agriculture obtained an unmodified opinion on its consolidated balance sheet as of September 30, 2017, but its consolidated statement of net cost, consolidated statement of changes in net position, combined statement of budgetary resources, and the related notes for the fiscal year ended September 30, 2017, were not audited. The Department of Defense, the Department of Housing and Urban Development, and the Railroad Retirement Board each received a disclaimer of opinion on their respective fiscal year 2017 financial statements.

expressing an opinion on the sustainability financial statements,[4] which consist of the 2017 and 2016 Statements of Long-Term Fiscal Projections;[5] the 2017, 2016, 2015, 2014, and 2013 Statements of Social Insurance;[6] and the 2017 and 2016 Statements of Changes in Social Insurance Amounts. About $33.7 trillion, or 68.7 percent, of the reported total present value of future expenditures in excess of future revenue presented in the 2017 Statement of Social Insurance relates to Medicare programs reported in the Department of Health and Human Services' 2017 Statement of Social Insurance, which received a disclaimer of opinion. A material weakness in internal control also prevented us from expressing an opinion on the 2017 and 2016 Statements of Long-Term Fiscal Projections.

- Material weaknesses resulted in ineffective internal control over financial reporting for fiscal year 2017.

- Material weaknesses and other scope limitations discussed in our audit report limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2017.

Overall, significant progress has been made in improving federal financial management since the enactment of key federal financial management reforms in the 1990s. With few exceptions, all of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies received unmodified ("clean") opinions on their respective entities' fiscal year 2017 financial statements, up from 6 CFO Act agencies that received clean audit opinions for fiscal year 1996. In addition, accounting and financial reporting standards have continued to evolve to provide greater transparency and accountability over the federal government's operations, financial condition, and fiscal outlook. Further, the preparation and audit of individual federal entities' financial statements have identified numerous deficiencies, leading to corrective actions to strengthen federal entities' internal controls, processes, and systems.

However, since the federal government began preparing consolidated financial statements over 20 years ago, three major impediments have continued to prevent us from rendering an opinion on the federal government's accrual-based consolidated financial statements over this period: (1) serious financial management problems at the Department of Defense (DOD) that have prevented its financial statements from being auditable, (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and (3) the federal government's ineffective process for preparing the consolidated financial statements.

---

[4]The sustainability financial statements are based on projections of future receipts and spending, while the accrual-based consolidated financial statements are based on historical information, including the federal government's assets, liabilities, revenue and net cost.

[5]The Statements of Long-Term Fiscal Projections for fiscal years 2017 and 2016 present, for all the activities of the federal government, the present value of projected receipts and non-interest 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 non-interest spending from the prior year. The valuation date for the Statements of Long-Term Fiscal Projections is September 30.

[6]Statements of Social Insurance 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 (January 1 for fiscal years 2013, 2014, and 2015), and September 30 for the Black Lung program.

Following years of unsuccessful financial improvement efforts at DOD and consistently being unable to receive an audit opinion on its financial statements, the DOD Comptroller established the Financial Improvement and Audit Readiness (FIAR) Directorate to develop, manage, and implement a strategic approach for addressing internal control weaknesses and for achieving auditability, and to integrate those efforts with other improvement activities, such as the department's business systems modernization efforts. Until recently, DOD's FIAR strategy and methodology focused on several priorities with an overall goal of having its department-wide financial statements audit ready by September 30, 2017.[7] Because budgetary information is widely and regularly used for management, one of DOD's highest priorities was to improve its budgetary information and processes underlying its Statement of Budgetary Resources (SBR).

Because of difficulties in supporting beginning balances, DOD decided to limit the scope of the first-year SBR audits. Specifically, the scope of these initial SBR audits focused on current-year budget activity, which was reported on a Schedule of Budgetary Activity (SBA).[8] This was intended to be an interim step toward achieving the audit of multiple-year budget activity required for an audit of the SBR. The Departments of the Army, Navy, and Air Force underwent their first SBA audits for fiscal year 2015. These DOD components' SBAs were again audited for fiscal year 2016 but with an expanded scope that included beginning balances carried over from fiscal year 2015. Independent public accountants (IPA) issued disclaimers of opinion for all three DOD components' SBAs for both of these fiscal years and identified material weaknesses in internal control at all three DOD components.[9]

For fiscal year 2017, the Army, Navy, and Air Force underwent differing levels of financial audits or examinations as noted in the following.

- The Army expanded its scope to a SBR audit for both its General Fund and Working Capital Fund. The Army also had line item examinations conducted for its General Equipment and Operating Materials and Supplies and an examination of the design of the internal controls over its system supporting the delivery of munitions inventory management services. The audits of the Army's General Fund and Working Capital Fund SBRs and the line item examinations resulted in disclaimers of opinion. The internal control examination concluded that internal controls were not suitably designed.

- The Air Force underwent another SBA audit for fiscal year 2017, which resulted in a disclaimer of opinion.

- The Navy had reviews of selected closing balances as of September 30, 2017, for its General Fund and Working Capital Fund Balance Sheets. The IPA reported on the detailed audit procedures performed and the respective observations for each of the significant line items, including numerous findings and recommendations to address them.

[7]Section 1003 of the National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, 123 Stat. 2190, 2439-41 (Oct. 28, 2009), made the development and maintenance of the FIAR Plan a statutory requirement. Under the act, the FIAR Plan must describe specific actions to be taken and the costs associated with ensuring that DOD's financial statements are validated as ready for audit by September 30, 2017. In addition, section 1005 of the National Defense Authorization Act for Fiscal Year 2013, Pub. L. No. 112-239, 126 Stat. 1632, 1904-05 (Jan. 2, 2013), enacted a requirement for DOD's FIAR Plan to describe specific actions to be taken and the costs associated with ensuring that one of DOD's financial statements, the Statement of Budgetary Resources, would be validated as ready for audit by September 30, 2014, but DOD has acknowledged that it did not meet this target date. Subsequently, section 1003 of the National Defense Authorization Act for Fiscal Year 2014, Pub. L. No. 113-66, 127 Stat. 672, 842 (Dec. 26, 2013) (*reprinted in* 10 U.S.C. § 2222 note), mandated an audit of DOD's fiscal year 2018 financial statements and that the audit results be submitted to Congress by March 31, 2019.

[8]Unlike the SBR, which reflects multiple-year budget activity, the SBA reflects the balances and associated activity related only to funding from fiscal year 2015 forward. As a result, the SBAs exclude unobligated and unexpended amounts carried over from funding prior to fiscal year 2015 as well as information on the status and use of such funding (e.g., obligations incurred and outlays) in fiscal year 2015 and thereafter.

[9]Disclaimer of opinion means that the auditors were unable to express an opinion because of a lack of sufficient evidence to support the amounts presented.

While DOD made some progress closing notices of findings and recommendations issued in prior years, the IPAs that performed the above-noted fiscal year 2017 financial audits or examinations issued or reissued hundreds of notices of findings and recommendations for corrective actions to address financial reporting and information system control deficiencies.

In its November 2017 FIAR Plan Status Report, DOD stated that it will undergo a DOD-wide consolidated financial statement audit for fiscal year 2018. As a result, the focus of DOD's strategy for achieving a clean opinion on its financial statements and improving overall financial management has shifted from preparing for audit readiness to undergoing a full financial statement audit and remediating audit findings. DOD stated that undergoing financial statement audits will be valuable for a number of reasons, including the following.

- Audits will provide management with independent validation and feedback on the effectiveness of DOD business systems, processes, and controls.
- Component managers will use audit information to identify root causes of deficiencies and prioritize remediation work.
- DOD leadership will be able to use root cause information to manage risk and make strategic decisions.
- Audits will ensure that DOD leadership has visibility over quantities, locations, and conditions of DOD property, which affects readiness, as well as programming and budgeting decisions.

DOD acknowledged that achieving a clean audit opinion will take time. However, it stated that over the next several years, the closure of audit findings will serve as an objective measure of progress toward that goal.

Various efforts are also under way to address the other two major impediments to an audit of the consolidated financial statements. For example, during fiscal year 2017, the Department of the Treasury (Treasury) continued to actively work with significant federal entities[10] to resolve differences in intragovernmental activity and balances between federal entities through its quarterly scorecard process.[11] This process highlights differences requiring the entities' attention, identifies differences that need to be resolved through a formal dispute resolution process,[12] and reinforces the entities' responsibilities to resolve intragovernmental differences. Treasury also continues to develop and refine policies and procedures over accounting for and reporting all significant activity and balances of the General Fund of the U.S. Government (General Fund),[13] and continues to improve its reconciliation process of the activity and balances between the General Fund and federal entity trading partners. Further, for the first time, Treasury will prepare and GAO will audit the Schedules of the General Fund, which will include activity and balances for fiscal year 2018. Over the past few years, Treasury's corrective actions have included implementing new systems for compiling the consolidated financial

---

[10]The Office of Management and Budget and Treasury have identified 39 federal entities that are significant to the U.S. government's fiscal year 2017 consolidated financial statements, including the 24 CFO Act agencies. See *Treasury Financial Manual*, vol. I, pt. 2, ch. 4700, for a listing of the 39 entities.

[11]For each quarter, Treasury produces a scorecard for each significant entity that reports various aspects of the entity's intragovernmental differences with its trading partners, including the composition of the differences by trading partner and category. Entities are expected to resolve, with their respective trading partners, the differences identified in their scorecards.

[12]When an entity and its respective trading partner cannot resolve an intragovernmental difference, the entity must 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.

[13]The 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).

statements, improving guidance for collecting data from component entities, and implementing new or enhanced procedures to address certain internal control deficiencies detailed in our previously issued management report.[14] In addition to continued leadership by Treasury and the Office of Management and Budget (OMB), strong and sustained commitment by federal entities is critical to fully address these issues.

The material weaknesses underlying these three major impediments have 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 financial information to operate in an efficient and effective manner. Over the years, we have made a number of recommendations to OMB, Treasury, and DOD to address these issues.[15] These entities have taken or plan to take actions to address these recommendations.

In addition to the material weaknesses referred to above, we identified three other material weaknesses. These are the federal government's inability to (1) determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them, (2) identify and resolve information security control deficiencies and manage information security risks on an ongoing basis, and (3) effectively manage its tax collection activities. Our audit report presents additional details concerning these material weaknesses and their effect on the accrual-based consolidated financial statements and on the management of federal government operations. 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.

Further, there are several issues that could impact the federal government's financial position and condition and its financial management in the future, including (1) financial and other risks, (2) the quality of spending data, and (3) the unsustainability of the federal government's fiscal path. Financial risk factors that could affect the federal government's financial condition in the future include the following.

- The Pension Benefit Guaranty Corporation's (PBGC) financial future is uncertain because of long-term challenges related to PBGC's governance and funding structure. PBGC's liabilities exceeded its assets by almost $76 billion as of the end of fiscal year 2017—an increase of about $40 billion from the end of fiscal year 2013. PBGC reported that it is subject to potential further losses of $252 billion if plan terminations occur that are considered reasonably possible.

- In 2008, during the financial crisis, the federal government placed the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) under conservatorship and entered into preferred stock purchase agreements with these government-sponsored enterprises (GSE) to help ensure their financial stability. The agreements with the GSEs could affect the federal government's financial position. At the end of fiscal year 2017, the federal government continued to report about $93 billion of investments in the GSEs, which is net of about $102 billion in valuation losses. The GSEs paid Treasury cash dividends of $25.3 billion and $11.5 billion during fiscal years 2017 and 2016, respectively. The reported maximum remaining contractual commitment to the GSEs, if needed, is $258.1 billion. Importantly, the ultimate role of the GSEs in the mortgage market could affect the financial condition of the Federal Housing

[14] GAO, *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-17-524 (Washington, D.C.: July 12, 2017).

[15] See GAO-17-524. In addition, see GAO, *DOD Financial Management – High Risk Issue*, accessed February 9, 2018, http://www.gao.gov/key_issues/dod_financial_management/issue_summary#t=1. Further, other auditors have made recommendations to DOD for improving its financial management.

Administration, which in the past expanded its lending role in distressed housing and mortgage markets.

- The U.S. Postal Service (USPS) continues to be in poor financial condition, with a reported net loss of $2.7 billion in fiscal year 2017, its 11th consecutive year of net losses totaling $65.1 billion over the period. USPS's business model continues to put it at risk of not being able to sufficiently fund its services and financial obligations.[16]

- We have reported that the Federal Emergency Management Agency (FEMA), which administers the National Flood Insurance Program, likely will not be able to repay its debt to Treasury from premiums collected from policyholders.[17] FEMA owed $30.4 billion as of the end of fiscal year 2017 to Treasury for money borrowed to pay claims and other expenses, including $1.6 billion borrowed following a series of floods in 2016. In response to the disaster assistance needed as a result of the hurricane season in 2017, in October 2017, the Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, among other things, canceled $16 billion of FEMA's debt to Treasury for the National Flood Insurance Program.[18]

Every 2 years, GAO provides Congress with an update on its High-Risk Series, which highlights federal entities and program areas that are at high risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement or are most in need of broad reform. We issued our most recently updated High-Risk Series on February 15, 2017.[19] GAO's High-Risk Series includes most of the above-noted issues, such as DOD financial management, ensuring the security of federal information systems and cyber critical infrastructure and protecting the privacy of personally identifiable information, the PBGC insurance programs, modernizing the U.S. financial regulatory system and the federal role in housing finance, restructuring the USPS to achieve sustainable financial viability, and the National Flood Insurance Program.

The Digital Accountability and Transparency Act of 2014 (DATA Act) continues to hold great promise for improving the transparency and accountability of federal spending data by providing consistent, reliable, and complete data on federal spending, which will assist decision makers in addressing the federal government's fiscal challenges. Full implementation of the DATA Act will enable federal agencies to report information that complements the annual audited financial statements by providing much more detailed information on federal program spending and the activities of those programs. OMB and Treasury have taken significant steps toward implementing the DATA Act's various requirements and addressing our related recommendations.

In May 2017, more than 78 federal agencies, including all 24 CFO Act agencies, submitted their second quarter fiscal year 2017 data, as required by the DATA Act, reporting almost $3 trillion in obligations. However, as we reported in November 2017,[20] there were issues and challenges with the completeness and accuracy of the data submitted, use of data elements, and presentation of the data on Beta.USAspending.gov. In order to fully and effectively implement the DATA Act, the federal

---

[16]GAO, *U.S. Postal Service's Financial Viability – High Risk Issue*, accessed February 9, 2018, http://www.gao.gov/key_issues/us_postal_service_financial_viability/issue_summary.

[17]GAO, *Flood Insurance: Comprehensive Reform Could Improve Solvency and Enhance Resilience*, GAO-17-425 (Washington, D.C.: Apr. 27, 2017).

[18]Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Pub. L. No. 115-72, § 308(a), 131 Stat. 1224, 1228-29 (Oct. 26, 2017).

[19]GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: Feb. 15, 2017).

[20]GAO, *DATA Act: OMB, Treasury, and Agencies Need to Improve Completeness and Accuracy of Spending Data and Disclose Limitations*, GAO-18-138 (Washington, D.C.: Nov. 8, 2017).

government will need to continue addressing complex policy and technical issues. These issues include clarifying compliance and reporting guidance and the disclosure of data quality issues on the website.

The 2017 Statement of Long-Term Fiscal Projections and related information in Note 23 and in the unaudited Required Supplementary Information section of the *Fiscal Year 2017 Financial Report of the United States Government* (*2017 Financial Report*) show that absent policy changes, the federal government continues to face an unsustainable long-term fiscal path. Over the long term, the imbalance between spending and revenue that is built into current law and policy is projected to lead to continued growth of the deficit and debt held by the public as a share of gross domestic product (GDP). This situation—in which debt grows faster than GDP—means the current federal fiscal path is unsustainable.[21]

GAO and the Congressional Budget Office (CBO) prepare long-term federal fiscal simulations, which also continue to show debt held by the public rising as a share of GDP in the long term.[22] GAO, CBO, and the 2017 Statement of Long-Term Fiscal Projections all project that debt held by the public as a share of GDP will surpass its historical high (106 percent in 1946) within the next 14 to 22 years. The Tax Cuts and Jobs Act will hold important implications for this timeframe. Health care spending is a key programmatic and policy driver of the long-term outlook on the spending side of the budget. Eventually, however, spending on net interest is projected to become the largest category of spending in both the Statement of Long-Term Fiscal Projections and GAO's simulations.

All of these long-term projections each use somewhat different assumptions, but their results are the same; absent policy changes, the federal government's fiscal path is unsustainable. Reliable and complete financial information for federal entities will be needed for making policy changes that effectively address the unsustainable long-term fiscal path. GAO plans to issue an update to its report on the fiscal health of the federal government.[23]

One cannot overstate the importance of preserving the confidence that investors have that debt backed by the full faith and credit of the United States will be honored. Failure to increase (or suspend) the debt limit in a timely manner could have serious negative consequences for the Treasury market and increase borrowing costs. Since December 9, 2017, Treasury had been taking extraordinary actions to continue funding government activities until the debt limit was addressed.[24] The Bipartisan Budget Act of 2018 temporarily suspended the debt limit from February 9, 2018, through March 1, 2019.[25]

As we have previously reported, the debt limit does not restrict Congress's ability to enact spending and revenue legislation that affects the level of federal debt; nor does it otherwise constrain fiscal policy.

[21]The 2017 Statement of Long-Term Fiscal Projections is based on current policy as of September 30, 2017. Therefore, the 2017 projections, related footnotes, and Required Supplementary Information do not reflect the effects of the Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054, enacted on December 22, 2017, or any other legislation enacted after September 30, 2017 that changes policy that was in effect as of the end of the fiscal year. Management notes that next year's 2018 Statement of Long-Term Fiscal Projections in the Financial Report will incorporate the effects of such legislation enacted after September 30, 2017, based on an updated economic forecast and other economic developments.

[22]Similar to the 2017 Statement of Long-Term Fiscal Projections, GAO and CBO simulations also do not reflect the effects of the Tax Cuts and Jobs Act or other legislation enacted after September 30, 2017. For more information on GAO's simulations, see GAO, *The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future*, GAO-17-237SP (Washington, D.C.: Jan. 17, 2017). For more information on CBO's simulations, see Congressional Budget Office, *The 2017 Long-Term Budget Outlook* (Washington, D.C.: March 2017).

[23]GAO-17-237SP.

[24]Actions that are not part of Treasury's normal cash and debt management operations are considered "extraordinary actions" by Treasury.

[25]Section 30301 of Division C, "Temporary Extension of the Public Debt Limit," of the Bipartisan Budget Act of 2018, Pub. L. No. 115-123, div. C, tit. III, § 30301, 132 Stat. 64 (Feb. 9, 2018), temporarily suspended the statutory debt limit.

Rather, the debt limit is an after-the-fact measure; the spending and tax laws that result in debt have already been enacted. In other words, the debt limit restricts Treasury's authority to borrow to finance the decisions already enacted by Congress and the President.[26] U.S. Treasury securities play a vital role in the U.S. and global financial markets, to a great extent because of their large, liquid, and transparent market and because investors are confident that debt backed by the full faith and credit of the United States will be honored. Because Treasury securities are viewed as one of the safest assets in the world, they are broadly held by individuals—often in pension funds or mutual funds—and by institutions and central banks for use in everyday transactions.

Treasury securities serve as a close substitute for cash for financial institutions and corporate treasurers, are one of the cheapest and most widely used forms of collateral for financial transactions, and are the basis for pricing many financial products, such as corporate bonds, derivatives, and mortgages. In many ways, U.S. Treasury securities are the underpinning of the world financial system. As we have also previously reported, delays in raising the debt limit can create uncertainty in the Treasury market. To avoid such uncertainty and the disruption to the Treasury market that it creates, as well as to help inform the fiscal policy debate in a timely way, we have suggested that Congress should consider ways to better link decisions about the debt limit with decisions about spending and revenue at the time those decisions are made.[27]

Our audit report on the U.S. government's consolidated financial statements would not be possible without the commitment and professionalism of inspectors general throughout the federal government who are responsible for annually auditing the financial statements of individual federal entities. We also appreciate the cooperation and assistance of Treasury and OMB officials as well as the federal entities' chief financial officers. We look forward to continuing to work with these individuals, the administration, and Congress to achieve the goals and objectives of federal financial management reform.

Our audit report begins on page 218. Our guide, *Understanding the Financial Report of the United States Government*, is intended to help those who seek to obtain a better understanding of the *Financial Report* and is available on GAO's website at http://www.gao.gov.[28] In addition, the website includes a guide to understanding the differences between accrual and generally cash-based budget measures and provides a useful perspective on the different purposes that cash and accrual measures serve in providing a comprehensive picture of the federal government's fiscal condition today and over time.[29]

[26]GAO, *Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs*, GAO- 12-701 (Washington, D.C.: July 23, 2012), and *Debt Limit: Delays Create Debt Management Challenges and Increase Uncertainty in the Treasury Market*, GAO-11-203 (Washington, D.C.: Feb. 22, 2011).

[27]GAO-12-701 and GAO-11-203.

[28]GAO, *Understanding the Financial Report of the United States Government*, GAO-18-239SP (Washington, D.C.: Feb. 15, 2018).

[29]GAO, Fiscal Outlook & the Debt, accessed on Feb. 9, 2018, https://www.gao.gov/fiscal_outlook/overview, which is based on information in GAO, *Understanding Similarities and Differences between Accrual and Cash Deficits*, GAO-07-117SP (Washington, D.C.: December 2006). In January 2007 and 2008, we issued updates to this guide for fiscal years 2006 and 2007; see GAO-07-341SP (Washington, D.C.: January 2007) and GAO-08-410SP (Washington, D.C.: January 2008).

Our audit report was prepared under the direction of Robert F. Dacey, Chief Accountant; J. Lawrence Malenich, Director, Financial Management and Assurance; and Dawn Simpson, Director, Financial Management and Assurance. If you have any questions, please contact me on (202) 512-5500 or them on (202) 512-3406.

Gene L. Dodaro
Comptroller General
of the United States

cc: The Majority Leader of the Senate
The Minority Leader of the Senate
The Majority Leader of the House of Representatives
The Minority Leader of the House of Representatives