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Comptroller General
of the United States

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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 2021 and 2020 discusses progress that has been made but also underscores that much work remains to improve federal financial management and that the federal government continues to face an unsustainable long-term fiscal path.[1]

The federal government took unprecedented actions in response to the COVID-19 pandemic to protect public health and reduce economic impacts on individuals and businesses during fiscal years 2021 and 2020. These ongoing efforts are reflected in the net cost, assets, liabilities, and budget deficit reported in the U.S. government's consolidated financial statements for fiscal years 2021 and 2020. The ultimate cost of these actions and any future actions in response to the pandemic and their impact on the federal government's financial condition will not be fully known for some time.

The federal government's response to the COVID-19 pandemic includes net costs for fiscal years 2021 and 2020 related to small business loan guarantees of $297 billion (2021) and $527 billion (2020), primarily for the Paycheck Protection Program (PPP); economic impact payments and recovery rebate credits of $570 billion (2021) and economic impact payments of $275 billion (2020); and Department of Labor program costs of $313 billion (2021) and $352 billion (2020), primarily related to unemployment benefits.

Significant assets and liabilities as of September 30, 2021, and 2020, resulting from the federal government's response to the COVID-19 pandemic include

- advances of $254 billion (2021) and $173 billion (2020), primarily as a result of aid to state, local, territorial, and tribal governments and Medicare providers;
- loans under the Economic Injury Disaster Loan (EIDL) program, representing almost all of the $244 billion (2021) and $181 billion (2020) in net disaster loans;
- equity investments in special purpose vehicles of $26 billion (2021) and $108 billion (2020), which the Federal Reserve established during fiscal year 2020 to enhance the liquidity of the U.S. financial system;[2]

[1]As discussed later in this report, an unsustainable long-term fiscal path is a situation where federal debt held by the public grows faster than gross domestic product (GDP) over the long term.

[2]As discussed in Note 8, *Investments in Special Purpose Securities*, to the consolidated financial statements, equity investments in special purpose vehicles decreased to $26 billion in fiscal year 2021 from $108 billion in fiscal year 2020 primarily because the Department of the Treasury and the Federal Reserve amended several of the special purpose vehicle agreements and the Federal Reserve returned equity investments to Treasury.

- cash and other monetary assets of $1,927 billion (2020) resulting from the Department of the Treasury maintaining an elevated cash balance to maintain prudent liquidity in light of the size and relative uncertainty of COVID-19 pandemic–related outflow;[3] and
- loan guarantee liabilities of $231 billion (2021) and $520 billion (2020), primarily related to the PPP.[4]

COVID-19 pandemic–related budget expenditures totaled $1.8 trillion in fiscal year 2021 and $1.6 trillion in fiscal year 2020, increasing the budget deficit. During fiscal year 2020, primarily due to a budget deficit of $3.1 trillion and an increase in cash and other monetary assets, debt held by the public increased by $4.2 trillion to $21.0 trillion. During fiscal year 2021, primarily due to a budget deficit of $2.8 trillion, offset by decreases in cash and other monetary assets, debt held by the public increased by $1.3 trillion to $22.3 trillion.

Our audit report on the U.S. government's consolidated financial statements is enclosed. In summary, we found the following:

- Certain material weaknesses[5] in internal control over financial reporting and other limitations 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, 2021, and 2020.[6] About 30 percent of the federal government's reported total assets as of September 30, 2021, and approximately 18 percent of the federal government's reported net cost for fiscal year 2021 relate to significant federal entities that received a disclaimer of opinion[7] or qualified opinion[8]

[3]As discussed in Note 2, *Cash and Other Monetary Assets*, to the consolidated financial statements, cash and other monetary assets decreased in fiscal year 2021 because Treasury reduced the cash balance in fiscal year 2021 to well under its prudent policy level because of debt limit constraints.

[4]The change from fiscal year 2020 to fiscal year 2021 is primarily due to new guarantees of $304 billion, offset by loan forgiveness payments to lenders of $558 billion.

[5]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.

[6]The accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2021, and 2020, 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.

[7]A disclaimer of opinion arises when the auditor is unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive and accordingly does not express an opinion on the financial statements.

[8]A qualified opinion arises when the auditor is able to express an opinion on the financial statements except for specific areas where the auditor was unable to obtain sufficient and appropriate evidence, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

on their fiscal year 2021 financial statements or whose fiscal year 2021 financial information was unaudited.[9]

- 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 sustainability financial statements, which consist of the 2021 and 2020 Statements of Long-Term Fiscal Projections;[10] the 2021, 2020, 2019, 2018, and 2017 Statements of Social Insurance;[11] and the 2021 and 2020 Statements of Changes in Social Insurance Amounts. About $48.2 trillion, or 68 percent, of the reported total present value of future expenditures in excess of future revenue presented in the 2021 Statement of Social Insurance relates to Medicare programs reported in the Department of Health and Human Services' (HHS) 2021 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 2021 and 2020 Statements of Long-Term Fiscal Projections.

- Material weaknesses resulted in ineffective internal control over financial reporting for fiscal year 2021.

- 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 2021.

Overall, the federal government has made significant strides in improving financial management since key federal financial management reforms were enacted in the 1990s. Twenty-one of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies received unmodified ("clean") opinions on their respective entities' fiscal year 2021 financial statements, up from six CFO Act agencies that received clean audit opinions for fiscal year 1996.[12] In addition, accounting and financial reporting standards have continued to evolve to provide greater transparency and accountability over the federal government's operations and financial condition, including long-term sustainability. We have reported

[9]The Department of Defense received a disclaimer of opinion on its fiscal years 2021 and 2020 financial statements. The Small Business Administration (SBA) received a disclaimer of opinion on its fiscal year 2021 balance sheet and its remaining statements were unaudited; SBA received a disclaimer of opinion on its fiscal year 2020 financial statements. The Department of Labor received a qualified opinion on its fiscal year 2021 financial statements but received an unmodified opinion on its fiscal year 2020 financial statements. The 2021 Schedules of the General Fund of the U.S. Government were not audited to allow Treasury sufficient 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 2020 Schedules of the General Fund. Also, for fiscal years 2021 and 2020, the financial information for Security Assistance Accounts was unaudited.

[10]The 2021 and 2020 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 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 noninterest spending reductions and receipts increases necessary to hold debt held by the public as a share of GDP at the end of the 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.

[11]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.

[12]The 21 agencies include the Department of Health and Human Services, which received an unmodified ("clean") opinion on all statements except the Statements of Social Insurance and the Statements of Changes in Social Insurance Amounts.

areas where financial management can be improved, including standardizing the responsibilities of chief financial officers, preparing government-wide and agency-level financial management plans, and better linking performance and cost information for decision-making.[13]

While the U.S. government's consolidated financial statements provide a high-level summary of the financial position, financial condition, and operating results for the federal government as a whole, substantial benefits have been achieved as a result of agencies' preparation and audit of financial statements, including

- useful and necessary insight into government operations, including the agencies' financial conditions;
- increased federal agency accountability to Congress and citizens, including independent assurance about the reliability of reported financial information;
- greater confidence to stakeholders (governance officials, taxpayers, consumers, or regulated entities) that federal funds are being properly accounted for and assets are properly safeguarded;
- an assessment of the reliability and effectiveness of systems and related internal controls, including identifying control deficiencies that could lead to fraud, waste, or abuse;
- a focus on information security;
- early warnings of financial management issues; and
- identification of noncompliance with laws and regulations, which can present challenges to agency operations.

The preparation and audit of individual federal entities' financial statements have also identified numerous deficiencies, leading to corrective actions to strengthen federal entities' internal controls, processes, and systems. For instance, the Department of Veterans Affairs took corrective actions to address auditor-identified deficiencies, resulting in improvements in internal controls over obligations, undelivered orders, accrued expenses, and entity-level controls, including the Chief Financial Officer's organizational structure, that reduced two material weaknesses to significant deficiencies.[14]

However, since the federal government began preparing consolidated financial statements, for fiscal year 1997, three major impediments have continued to prevent us from rendering an opinion on the federal government's accrual-based consolidated financial statements: (1) serious financial management problems at the Department of Defense (DOD), (2) the federal government's inability to adequately account for intragovernmental activity and balances between federal entities, and (3) weaknesses in the federal government's process for preparing the consolidated financial statements. In addition, the Small Business Administration (SBA), which had substantial activity related to the COVID-19 pandemic response, was unable to obtain an opinion on its fiscal year 2021 and 2020 financial statements, after years of receiving clean opinions.

DOD continues to take positive steps to improve its financial management but faces long-standing issues. After many years of working toward financial statement audit readiness, DOD underwent full financial statement audits for fiscal years 2018 through 2021. These audits resulted in disclaimers of opinion, material weaknesses in internal control over financial reporting (28 in fiscal year 2021 and 26 in fiscal year 2020), and thousands of audit findings. Some of the material weaknesses—such as an inability to account for its property and equipment and ineffective information system controls—are examples of long-standing weaknesses at DOD.

[13]GAO, *Federal Financial Management: Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Added Benefits*, GAO-20-566 (Washington, D.C.: Aug. 6, 2020).

[14]A 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.

DOD leadership identified a number of financial management–related benefits from these department-wide audits, as well as operational improvements. Specifically, DOD stated that some of the benefits of the audit process included the following:

- Inventories of real property resulted in improved accuracy of real property records.
- Initiatives to locate untracked or excess material identified more than $3 billion of material that was made available for redeployment.
- The identification of approximately $50 million of available funding that was subsequently used for a command's mission support.

DOD has acknowledged that achieving a clean audit opinion will take time. In fiscal years 2021 and 2020, DOD management prioritized certain critical areas (e.g., information technology, real property, and inventory) for improvement. DOD reported that it uses the number of audit findings closed and material weaknesses downgraded from year to year to measure progress toward that goal. DOD also tracks progress by the number of components moving from disclaimers of opinion to clean audit opinions. While DOD's fiscal year 2021 audit resulted in a net increase of two material weaknesses, one previously reported material weakness was downgraded to a significant deficiency and DOD reported that over 13 percent of findings from prior year financial statement audits were closed.

Various efforts are also under way to address the other two major impediments to rendering an opinion on the accrual-based consolidated financial statements. Regarding the government's inability to adequately account for intragovernmental activity and balances between federal entities, during fiscal year 2021, Treasury continued to provide information and assistance to significant component entities to aid in resolving their intragovernmental differences.[15] Treasury also issued additional guidance to federal entities related to accounting for intragovernmental transactions. Regarding weaknesses in the federal government's process for preparing the consolidated financial statements, in recent years, Treasury's corrective actions have included improving systems and implementing new processes for preparing the consolidated financial statements, enhancing guidance for federal entity financial reporting, and implementing procedures to address certain internal control deficiencies detailed in our August 2021 management report.[16] In addition to Treasury's and the Office of Management and Budget's (OMB) continued leadership, federal entities' strong and sustained commitment is critical to fully addressing these issues.

SBA's auditor reported that the urgent need for SBA to implement COVID-19 pandemic–related programs as quickly and efficiently as possible led to deficiencies in internal control processes.[17] SBA's auditor reported several material weaknesses in internal control, including control deficiencies in (1) approvals, reporting, review, forgiveness, and service provider oversight related to PPP and (2) eligibility, recording, and service provider oversight related to the EIDL program. We, along with SBA's Office of Inspector General, have also reported concerns with SBA's internal controls over PPP and the EIDL program and have made several recommendations to SBA related to its COVID-19 programs. These weaknesses limit the reliability of SBA's financial reporting and increase the risk of fraud and improper payments.

[15]OMB and Treasury have identified 40 federal entities that are significant to the U.S. government's fiscal year 2021 consolidated financial statements, including the 24 CFO Act agencies. See app. A of the *Fiscal Year 2021 Financial Report of the United States Government* for a list of the 40 entities.

[16]GAO, *Management Report: Continued Improvements Needed in the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-21-587 (Washington, D.C.: Aug. 12, 2021).

[17]Small Business Administration, *Agency Financial Report for Fiscal Year 2021* (Washington, D.C.: Nov. 15, 2021).

The material weaknesses underlying these three major impediments, as well as the weaknesses identified at SBA, (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. We have made a number of recommendations to OMB, Treasury, DOD, and SBA to address these issues.[18] These entities have taken or plan to take actions to address these recommendations.

In addition to the material weaknesses referred to above, we identified two other continuing 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 and (2) identify and resolve information security control deficiencies and manage information security risks on an ongoing basis. The fiscal year 2021 government-wide total of reported estimated improper payments was $281 billion. However, this amount does not include improper payment estimates for certain programs. For example, improper payment estimates were not reported for PPP, HHS's Temporary Assistance for Needy Families, HHS's Advance Premium Tax Credit, and the Department of Agriculture's Supplemental Nutrition Assistance Program.

Our audit report presents additional details concerning these material weaknesses and their effect on the accrual-based consolidated financial statements and managing 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 the American people.

The 2021 Statement of Long-Term Fiscal Projections and related information in Note 26, *Long-Term Fiscal Projections*, to the consolidated financial statements and in the unaudited Required Supplementary Information section of the *2021 Financial Report* show that, based on current revenue and spending policies, the federal government continues to face an unsustainable long-term fiscal path. GAO and the Congressional Budget Office (CBO) also prepare long-term federal fiscal simulations, which continue to show federal debt held by the public rising as a share of gross domestic product (GDP) in the long term.[19] This situation—in which debt held by the public grows faster than GDP—means the federal government's long-term fiscal path is unsustainable.

GAO, CBO, and the *2021 Financial Report*, although using somewhat different assumptions, all project that debt held by the public as a share of GDP (debt-to-GDP) will surpass its historical high (106 percent in 1946) in the next 10 years. Health care and Social Security remain key drivers of federal noninterest spending in the long-term projections. In addition, while interest rates are historically low, GAO, CBO, and the *2021 Financial Report* project that growing debt held by the public will lead to higher spending on net interest (primarily interest on debt held by the public).

[18]See GAO-21-587. In addition, see GAO, *DOD Financial Management*, accessed Feb. 9, 2022, https://www.gao.gov/highrisk/dod_financial_management. Further, other auditors have made recommendations to DOD and SBA for improving their financial management. See GAO, *High Risk Area: Emergency Loans for Small Businesses*, accessed Feb. 9, 2022, https://www.gao.gov/highrisk/emergency-loans-small-businesses.

[19]For more information on GAO's simulations, see GAO, *America's Fiscal Future*, accessed on Feb. 9, 2022, https://www.gao.gov/americas_fiscal_future. For more information on CBO's simulations, see Congressional Budget Office, *The 2021 Long-Term Budget Outlook* (Washington, D.C.: Mar. 4, 2021).

The *2021 Financial Report* also discusses the fiscal gap, which is a measure of how much primary deficits must be reduced through policy changes (some combination of revenue increases or spending cuts) over the next 75 years in order to make fiscal policy sustainable.[20] For example, based on projections in the *2021 Financial Report*, if policymakers choose to achieve a debt-to-GDP target of 100 percent—the level the federal government reached at the end of fiscal years 2020 and 2021—they would need to make policy changes over a 75-year period (fiscal years 2022 to 2096) that increase projected revenues by 32 percent, reduce projected noninterest spending by 25 percent, or a combination of the two. The projections show that the longer such policy changes are delayed, the more significant the changes will need to be.

Congress and the administration have responded in an unprecedented manner to the COVID-19 pandemic and the resulting severe economic repercussions. Once the pandemic recedes and as the economy continues to recover, Congress and the administration should quickly pivot to developing a plan to place the federal government on a sustainable long-term fiscal path.

Since 2017, we have stated that a fiscal plan is needed to ensure that the United States remains in a strong economic position to meet its social and security needs, as well as to preserve flexibility to address unforeseen events like public health emergencies. In developing a fiscal plan at the appropriate time, policymakers will need to consider the entire range of federal activities, both revenue (including tax expenditures) and spending (entitlement programs, other mandatory spending, and discretionary spending) that affect the debt. In September 2020, we raised a matter to Congress, suggesting that it establish a long-term fiscal plan that includes fiscal rules and targets, such as a debt-to-GDP target.[21]

Well-designed fiscal rules and targets can help manage debt by controlling factors like spending and revenue as part of a long-term fiscal plan. In September 2020, we identified key considerations for the design, implementation, and enforcement of fiscal rules and targets.[22] For example, the design should provide flexibility to address emerging issues, such as public health emergencies. GAO issues an annual report on the fiscal health of the federal government, which provides more information on the federal government's unsustainable long-term fiscal path.

Further, we have recommended that Congress consider alternative approaches to the current debt limit as part of any long-term fiscal plan. The debt limit is a legal limit on the total amount of federal debt that can be outstanding at one time.[23] However, it does not restrict Congress's ability to pass spending and revenue legislation that affects the level of debt in the future, nor does it otherwise constrain fiscal policy. As currently structured, the debt limit is not a fiscal rule; it is a limit only on Treasury's authority to borrow in order to finance the decisions already enacted by Congress and the President.

Further, there are other risks—such as public health emergencies, natural disasters, military engagements, and economic crises—that could affect the federal government's financial condition in the future. These risks are not fully accounted for in the government's long-term fiscal projections. Some of the specific risks that could affect the federal government's financial condition include the following:

[20]The primary deficit is the difference between noninterest spending and receipts.

[21]GAO, *The Nation's Fiscal Health: Effective Use of Fiscal Rules and Targets*, GAO-20-561 (Washington, D.C.: Sept. 23, 2020).

[22]For more information on the design of fiscal rules and targets, see GAO-20-561.

[23]The debt limit is codified at 31 U.S.C. § 3101(b), as amended, and applies to federal debt issued pursuant to authority under 31 U.S.C. chapter 31. A very small amount of total federal debt is not subject to the debt limit. This amount primarily comprises unamortized discounts on Treasury bills and Zero Coupon Treasury bonds; debt securities issued by agencies other than Treasury, such as the Tennessee Valley Authority; and debt securities issued by the Federal Financing Bank.

- Federal support of the housing finance market remains significant even though the market has largely recovered since the 2007 to 2009 financial crisis. In 2008, 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. These agreements could affect the federal government's financial condition. At the end of fiscal year 2021, the federal government reported about $221 billion of investments in the GSEs, which is net of about $38 billion in valuation losses. The GSEs paid Treasury no cash dividends during fiscal years 2021 and 2020. The reported maximum remaining contractual commitment to the GSEs, if needed, is about $254 billion.

  The ultimate role of the 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. Federal actions and strong housing market conditions have strengthened the financial condition of FHA and the GSEs, and they have not required Treasury assistance during the COVID-19 pandemic. However, risks remain that could affect their ability to absorb unexpected losses under severely adverse conditions.[24] For example, the extent of mortgage losses for the large number of borrowers who fell behind on mortgage payments during the COVID-19 pandemic is not yet known.

- Disaster costs are expected to increase as extreme weather events become more frequent and intense because of climate change, as the U.S. Global Change Research Program and the National Academies of Sciences, Engineering, and Medicine have observed and projected. Federal insurance programs are likely to be affected by the increasing costs of weather and climate disasters. For example, as currently structured, the National Flood Insurance Program's premiums and dedicated resources are not, over the long term, sufficient to cover expected costs without borrowing from Treasury.[25] As of September 30, 2021, the Federal Emergency Management Agency (FEMA), which administers the National Flood Insurance Program, owed about $21 billion to Treasury for money borrowed to pay claims and other expenses. We have reported that FEMA is unlikely to collect enough in premiums in the future to repay this debt.[26]

- The U.S. Postal Service (USPS) continues to be in poor financial condition. USPS cannot fund its current level of services and meet its financial obligations from its current level of revenues. The fiscal year 2021 net loss of about $5 billion marked its 15th consecutive year of net losses—totaling about $92 billion. In addition, USPS has missed about $72 billion in required payments for funding postal retiree health and pension benefits through fiscal year 2021, including about $57 billion in missed payments to fund retiree health benefits and about $15 billion in missed payments to fund pension benefits. USPS stated that it missed these payments to minimize the risk of running out of cash. USPS has also used $10 billion in COVID-19 pandemic–related funding. However, if USPS's expenses continue to exceed its revenue, its ability to continue operating and providing universal postal service will be at risk and may affect the government's future financial condition.

[24]GAO, *Housing Finance System: Future Reforms Should Consider Past Plans and Vulnerabilities Highlighted by Pandemic*, GAO-22-104284 (Washington, D.C.: Jan. 13, 2022).

[25]We have suggested an alternative way to record insurance commitments in the budget such that the federal government's commitment would be more fully recognized. See GAO, *Fiscal Exposures: Federal Insurance and Other Activities That Transfer Risk or Losses to the Government*, GAO-19-353 (Washington, D.C.: Mar. 27, 2019).

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

- The Pension Benefit Guaranty Corporation's (PBGC) financial future is uncertain because of long-term challenges related to its pension guarantee liabilities and exposure. PBGC faces fundamental financial risks that expose the federal government to immediate and future spending. The American Rescue Plan Act of 2021 (ARPA) provided special financial assistance for certain struggling multiemployer plans.[27] PBGC estimated that the total cost to the federal government for this assistance could be from $66 billion to $147 billion.[28] While ARPA significantly extends the solvency of the multiemployer program, PBGC's current projections show a median projected insolvency in 2055. In addition, PBGC estimates that its exposure to potential further losses for the single-employer program is $105 billion. We have reported that PBGC's single and multiemployer programs are at risk in part because of funding requirements that do not guarantee adequate plan funding and premiums that do not completely reflect the plans' risks.

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' flexibility, adaptability, and ability to issue their financial statements on a timely basis. 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 228. 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 https://www.gao.gov.[29]

[27]ARPA, Pub. L. No. 117-2, § 9704, 135 Stat. 4, 190-99 (Mar. 11, 2021), *classified at* 29 U.S.C. §§ 1305(i), 1432.

[28]See Pension Benefit Guaranty Corporation, *FY 2020 Projections Report* (Sept. 2021), accessed on Feb. 9, 2022, https://www.pbgc.gov/documents/fy-2020-projections-report. As discussed therein, these estimates are based on provisions of PBGC's interim final rule (86 Fed. Reg. 36,598) published in July 2021, and may change once the final rule is issued.

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

Our audit report was prepared under the direction of Robert F. Dacey, Chief Accountant, and Dawn B. Simpson, Director, Financial Management and Assurance. If you have any questions, please contact me on (202) 512-5500 or them on (202) 512-3406. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

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