



April 2021

FINANCIAL AUDIT

Bureau of the Fiscal Service's FY 2020 Schedules of the General Fund



A Century of Non-Partisan Fact-Based Work

GAO@100 Highlights

Highlights of [GAO-21-362](#), a report to the Acting Fiscal Assistant Secretary, Department of the Treasury

Why GAO Did This Study

Because GAO audits the consolidated financial statements of the U.S. government and the significance of the General Fund of the United States (General Fund) to the government-wide financial statements, GAO audited the fiscal year 2020 Schedules of the General Fund to determine whether, in all material respects, (1) the schedules are fairly presented and (2) Fiscal Service management maintained effective internal control over financial reporting relevant to the Schedules of the General Fund. Further, GAO tested compliance with selected provisions of laws, regulations, contracts, and grant agreements related to the Schedules of the General Fund.

As the reporting entity responsible for accounting for the cash activity of the U.S. government, in fiscal year 2020, the General Fund reported over \$23 trillion of cash inflows and nearly \$22 trillion of cash outflows. It also reported a budget deficit of \$3.1 trillion, the largest recorded federal deficit in history. The CARES Act, enacted in March 2020, and other COVID-19 pandemic relief laws, contained a number of funding provisions that resulted in a significant increase in the cash activity and budget deficit reported by the General Fund during fiscal year 2020.

What GAO Recommends

GAO is making three recommendations to improve Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund.

In commenting on a draft of this report, Fiscal Service concurred with the results of GAO's audit.

View [GAO-21-362](#). For more information, contact J. Lawrence Malenich at (202) 512-3406 or malenichj@gao.gov.

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What GAO Found

Deficiencies in internal control over financial reporting and other limitations on the scope of GAO's work resulted in conditions that prevented GAO from expressing an opinion on the Schedules of the General Fund as of and for the fiscal year ended September 30, 2020. Such scope limitations also prevented GAO from obtaining sufficient appropriate audit evidence to provide a basis for an opinion on the effectiveness of the Bureau of the Fiscal Service's (Fiscal Service) internal control over financial reporting relevant to the Schedules of the General Fund as of September 30, 2020. In addition, such scope limitations limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2020.

Fiscal Service was unable to readily provide sufficient appropriate evidence to support certain information reported in the accompanying Schedules of the General Fund. Specifically, Fiscal Service was unable to readily (1) identify and trace 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) provide 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 resulting scope limitations, the first of which GAO reported in its fiscal year 2018 audit, are the basis for GAO's disclaimer of opinion on the Schedules of the General Fund. As a result of these limitations, GAO cautions that amounts Fiscal Service reported in the Schedules of the General Fund and related notes may not be reliable.

Three significant deficiencies in Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund, which GAO reported in its fiscal year 2018 audit, continue to exist. One of the continuing significant deficiencies contributed to the first scope limitation discussed above. In addition, GAO identified four other control deficiencies, three newly identified and one reported in its fiscal year 2018 audit, which GAO does not consider to be material weaknesses or significant deficiencies.

Fiscal Service worked extensively, both internally and with other federal agencies, to address two scope limitations from GAO's fiscal year 2018 audit, such that GAO no longer considers these to be scope limitations for fiscal year 2020. Fiscal Service also (1) took action to close six of the 12 recommendations that GAO issued as a result of its fiscal year 2018 audit, (2) is implementing plans for remediating the remaining six recommendations over the next few years, and (3) plans to develop corrective actions for the three new recommendations issued in this report. Fiscal Service expressed its commitment to remediating the scope limitations and significant deficiencies reported for fiscal year 2020, acknowledging that it expects to take several years to resolve them, given the nature and complexity of certain identified issues.

In addition, GAO is issuing a separate LIMITED OFFICIAL USE ONLY report on information systems controls.

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Abbreviations

ALC	agency location code
BETC	Business Event Type Code
CARS	Central Accounting Reporting System
CFS	consolidated financial statements of the U.S. government
COVID-19	Coronavirus Disease 2019
Fiscal Service	Bureau of the Fiscal Service
FMFIA	Federal Managers' Financial Integrity Act
General Fund	General Fund of the United States
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
LFBWT	Liability for Fund Balance with Treasury
OMB	Office of Management and Budget
SFD	Schedules of Federal Debt
TAS	Treasury Account Symbol
TDO	Treasury Disbursing Office
Treasury	Department of the Treasury
USSGL	<i>United States Standard General Ledger</i>

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April 15, 2021

Mr. Timothy Gribben
Acting Fiscal Assistant Secretary
Department of the Treasury

Dear Mr. Gribben:

The accompanying independent auditor's report presents the results of our audit of the fiscal year 2020 Schedules of the General Fund. This is the second year an audit was performed on the Schedules of the General Fund. In summary, we found the following:

- A significant deficiency 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 Schedules of the General Fund as of and for the fiscal year ended September 30, 2020.¹
- Such scope limitations prevented us from obtaining sufficient appropriate audit evidence to provide a basis for an opinion on the effectiveness of the Bureau of the Fiscal Service's (Fiscal Service) internal control over financial reporting relevant to the Schedules of the General Fund as of September 30, 2020.²
- Such scope limitations limited our tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2020.

The General Fund of the United States (General Fund), an entity that the Department of the Treasury's (Treasury) Fiscal Service manages, is responsible for reporting on the central activities fundamental to funding

¹A 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. 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.

²The Department of the Treasury's Bureau of the Fiscal Service manages the General Fund of the United States.

the federal government. The General Fund consists of assets and liabilities used to finance the daily and long-term operations of the U.S. government. More specifically, the General Fund is the reporting entity responsible for accounting for the cash activity of the U.S. government. In fiscal year 2020, the General Fund reported \$23.2 trillion of cash inflows, including debt issuances and taxes collected, and \$21.8 trillion of cash outflows, including debt repayments, Social Security and health care benefit payments, and Coronavirus Disease 2019 (COVID-19) pandemic-related payments. It also reported \$27.1 trillion of federal debt securities that Treasury held and managed as of September 30, 2020, consisting of federal debt securities held by the public and federal debt securities held by government accounts. The General Fund interacts with other federal agencies through its reporting of assets and liabilities due from and to other federal agencies.³ Further, the General Fund records and reports the annual budget deficit (budget receipts less budget outlays) of the federal government.

The fiscal year 2020 Schedules of the General Fund consists of two schedules—the Schedule of the Operations of the General Fund and the Schedule of Changes in Cash Balance from Budget and Other Activities.

Schedule of the Operations of the General Fund

The Schedule of the Operations of the General Fund presents the (1) cash balance and related cash activity, (2) General Fund assets and liabilities that Treasury holds and manages, (3) other intragovernmental assets and liabilities, and (4) net equity of the General Fund.

The Cash Held by Treasury for Government-wide Operations section of this schedule reflects the cash balance and related cash activity of the U.S. government. Since mid-March 2020, Treasury has dramatically increased its cash balance to historically high levels. As of September 30, 2020, Treasury's cash balance was \$1.8 trillion, compared with \$376 billion as of September 30, 2019—an increase of \$1.4 trillion. According to Treasury, it is maintaining an elevated cash balance to maintain

³In the context of the General Fund, federal agencies are defined as federal reporting entities that receive authority to incur obligations and make payments from the General Fund.

prudent liquidity in light of the size and relative uncertainty of COVID-19–related outflows.⁴

The largest inflows of cash are collections from debt issuances and taxes, while the largest outflows are debt repayments and Social Security and health care benefit payments. For fiscal year 2020, the Schedule of the Operations of the General Fund reported \$23.2 trillion of cash inflows and \$21.8 trillion of cash outflows. These amounts include cash activity related to debt issuances and repayments and tax collections that GAO audited as part of the fiscal year 2020 Schedules of Federal Debt and the Internal Revenue Service’s fiscal year 2020 financial statements audits. Specifically, for fiscal year 2020, the Schedules of Federal Debt reported borrowings from the public totaling \$19.0 trillion and repayments of debt held by the public totaling \$14.8 trillion.⁵ Internal Revenue Service tax collections during fiscal year 2020 totaled \$3.5 trillion.⁶ In addition to the cash activity, the Schedules of the General Fund include other significant line items, which are discussed below.

Intragovernmental assets and liabilities are General Fund assets and liabilities that Treasury holds and manages and other amounts that agencies owe to the General Fund and that the General Fund owes to agencies, respectively. The General Fund’s largest asset is its loans and interest receivable, which Treasury holds and manages, that is related to the Federal Borrowings Program (\$1.8 trillion as of September 30, 2020). This program facilitates loans to federal agencies that have the legal authority to borrow funds from the U.S. Treasury. Its largest liability is the outstanding federal debt and interest payable that Treasury holds and manages (\$27.1 trillion as of September 30, 2020).

⁴The CARES Act, enacted in March 2020, and other COVID-19 pandemic relief laws enacted during fiscal year 2020 contained a number of funding provisions that resulted in a significant increase in warrants issued and payments processed by the General Fund during fiscal year 2020.

⁵See GAO, *Financial Audit: Bureau of the Fiscal Service’s FY 2020 and FY 2019 Schedules of Federal Debt*, [GAO-21-124](#) (Washington, D.C.: Nov. 9, 2020), for GAO’s audit of and more information about the Schedules of Federal Debt.

⁶See GAO, *Financial Audit: IRS’s FY 2020 and FY 2019 Financial Statements*, [GAO-21-162](#) (Washington, D.C.: Nov. 10, 2020), for more information on tax collections and GAO’s audit of the Internal Revenue Service’s financial statements.

Schedule of Changes in Cash Balance from Budget and Other Activities

The Schedule of Changes in Cash Balance from Budget and Other Activities reports how the annual budget deficit relates to the change in the cash held by Treasury for government-wide operations. The additional federal government spending in response to the COVID-19 pandemic significantly contributed to the deficit increasing to \$3.1 trillion for fiscal year 2020—the largest recorded federal deficit in history. This schedule illustrates the government’s cash flows relative to the budget deficit and provides the adjustments needed to reconcile the budget deficit for fiscal year 2020 (\$3.1 trillion) to the net activity for the Cash Held by Treasury for Government-wide Operations line item reported on the Schedule of the Operations of the General Fund (\$1.4 trillion), including information on the federal government’s investing and financing activities. This schedule presents three categories of reconciling items: (1) adjustments for noncash outlays included in the budget, (2) cash flow from activities not included in the budget, and (3) other General Fund activity. For fiscal year 2020, subsidy expense resulted in the largest adjustment for noncash activity to the budget deficit (\$714 billion), primarily because of COVID-19 pandemic–related loans and loan guarantees. Further, net cash flow from financing federal debt securities resulted in the largest adjustment for cash activity not included in the budget (\$4.1 trillion).

General Fund Impact on the *Financial Report of the United States Government*

Treasury delegated responsibility to a separate Fiscal Service group for preparing the *Financial Report of the United States Government*, also known as the consolidated financial statements of the U.S. government (CFS). Fiscal Service anticipates that the preparation and audit of the General Fund’s Schedule of the Operations of the General Fund will help account for and eliminate General Fund intragovernmental activity and balances with other reporting entities in the CFS. In connection with our fiscal year 2020 audit of the CFS,⁷ we reported that the federal government’s inability to adequately account for intragovernmental activity and balances between federal entities represented a material weakness in internal control over financial reporting.

⁷GAO, *Financial Audit: FY 2020 and FY 2019 Consolidated Financial Statements of the U.S. Government*, [GAO-21-340R](#) (Washington, D.C.: Mar. 25, 2021).

Also, Fiscal Service anticipates that the preparation and audit of the General Fund's Schedule of Changes in Cash Balance from Budget and Other Activities will significantly contribute to resolving a separate material weakness we reported in connection with our fiscal year 2020 CFS audit. This weakness related to the Reconciliations of Net Operating Cost and Budget Deficit and Changes in Cash Balance from Budget and Other Activities. Specifically, Fiscal Service expects these efforts to help reasonably assure that the information in these statements is complete and consistent with the underlying information in the audited agencies' financial statements and other financial data.

Significant Efforts to Improve the Auditability of the Schedules of the General Fund

We previously reported two scope limitations that contributed to our disclaimer of opinion for fiscal year 2018: evaluating and resolving differences reported on the Schedules of the General Fund and supporting the Liability for Fund Balance with Treasury beginning balance.⁸ Fiscal Service worked extensively, both internally and with other federal agencies, to address these matters, such that we no longer consider these to be scope limitations for fiscal year 2020. One scope limitation from fiscal year 2018 remains, related to identifying and tracing transactions in the Schedules of the General Fund general ledgers. In addition, during fiscal year 2020 we identified one new scope limitation related to supporting account attributes of active Treasury Account Symbols. Fiscal Service expressed its commitment to remediating these limitations but acknowledged that it expects to take several years to resolve them, given the nature and complexity of certain identified issues.

Additionally, Fiscal Service took action to close six of the 12 recommendations we issued based on our fiscal year 2018 audit—including one identified as a significant deficiency in internal control over financial reporting that contributed to the first resolved scope limitation noted above. Furthermore, Fiscal Service developed plans for remediating the remaining six recommendations over the next few years. One of the open recommendations is to address a significant deficiency in internal control—which we previously reported in our fiscal year 2018 audit—related to management's risk assessment and monitoring of internal control over financial reporting. While Fiscal Service improved its

⁸GAO, *Financial Audit: Bureau of the Fiscal Service's Fiscal Year 2018 Schedules of the General Fund*, [GAO-19-185](#) (Washington, D.C.: May 15, 2019).

evaluating of risk and monitoring of internal controls over financial reporting relevant to the Schedules of the General Fund, additional efforts are needed to address the remaining issues identified in this area.

We also continued to find a significant deficiency related to information systems controls. In total, we identified 30 new and ongoing control deficiencies. We issued 20 recommendations in our fiscal year 2018 and 2019 management reports to address the control deficiencies affecting the financial systems significant to the Schedules of the General Fund.⁹ Fiscal Service implemented corrective actions to address 11 of the 20 recommendations. However, continued and consistent management commitment will be essential to remediating the remaining deficiencies, especially those related to Fiscal Service's mainframe.

We are making three new recommendations to improve Fiscal Service's internal control over financial reporting related to the Schedules of the General Fund (see app. I). We also provide the status of the 12 recommendations from our fiscal year 2018 report (see app. II). In addition, we are issuing a separate LIMITED OFFICIAL USE ONLY report that includes one new recommendation to address a deficiency identified in information systems controls and provides the status of recommendations from prior reports.

This report contains recommendations to the Commissioner of the Bureau of the Fiscal Service. 31 U.S.C. § 720 requires the head of a federal agency to submit a written statement on actions taken or planned on our recommendations to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Reform, the congressional committees with jurisdiction over the agency programs and activities that are the subject of our recommendations, and GAO not later than 180 days after the date of this report. A written statement must also be sent to the Senate and House Committees on Appropriations with the agency's first request for appropriations made more than 180 days after the date of this report. Please provide me with your statement of actions.

⁹GAO, *Management Report: Improvements Needed in the Bureau of the Fiscal Service's Information System Controls Related to the Schedules of the General Fund*, GAO-20-398RSU (Washington, D.C.: Mar. 31, 2020) and *Management Report: Improvements Needed in the Bureau of the Fiscal Service's Information System Controls Related to the Schedules of the General Fund*, GAO-19-463RSU (Washington, D.C.: May 15, 2019).

We are sending copies of this report to appropriate congressional committees, the Acting Commissioner of the Bureau of the Fiscal Service, the Acting Inspector General of the Department of the Treasury, the Acting Director of the Office of Management and Budget, and other interested parties. In addition, this report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-3406 or malenichj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Sincerely yours,

A handwritten signature in black ink that reads "J. Lawrence Malenich". The signature is written in a cursive style with a large, stylized "J" and "M".

J. Lawrence Malenich
Managing Director
Financial Management and Assurance

Independent Auditor's Report

To the Acting Commissioner of the Bureau of the Fiscal Service

In our audit of the fiscal year 2020 Schedules of the General Fund, we found the following:

- A significant deficiency 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 Schedules of the General Fund as of and for the fiscal year ended September 30, 2020.¹
- Such scope limitations prevented us from obtaining sufficient appropriate audit evidence to provide a basis for an opinion on the effectiveness of the Bureau of the Fiscal Service's (Fiscal Service) internal control over financial reporting relevant to the Schedules of the General Fund as of September 30, 2020.²
- Such scope limitations limited our tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2020.

The following sections discuss in more detail (1) our report on the Schedules of the General Fund, which includes an emphasis of matter paragraph on federal agencies' classification of transactions; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

¹A 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. 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.

²The Department of the Treasury's Bureau of the Fiscal Service manages the General Fund of the United States.

Report on the Schedules of the General Fund

In connection with fulfilling our requirement to audit the consolidated financial statements of the U.S. government,³ we conducted an audit of the Schedules of the General Fund as of, and for the year ended, September 30, 2020,⁴ because of the significance of the General Fund of the United States (General Fund) to the federal government's consolidated financial statements.⁵ The Schedules of the General Fund present (1) assets and liabilities of the General Fund, including cash activity; (2) a reconciliation of the budget deficit to the change in Cash Held by Treasury for Government-wide Operations; and (3) accompanying notes.

We conducted our audit in accordance with U.S. generally accepted government auditing standards. We performed sufficient audit work to provide this report on the Schedules of the General Fund. We considered the limitations on the scope of our work regarding the Schedules of the General Fund in forming our conclusions.

Management's Responsibility

Fiscal Service management is responsible for (1) the preparation and fair presentation of the Schedules of the General Fund in accordance with U.S. generally accepted accounting principles and (2) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules of the General Fund that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedules of the General Fund based on conducting the audit in accordance with U.S. generally accepted government auditing standards. Because of the matters discussed in the Basis for Disclaimer of Opinion on the Schedules of the General Fund section below, we were unable to obtain

³Government Management Reform Act of 1994, Pub. L. No. 103-356, § 405(c), 108 Stat. 3410, 3416-17 (Oct. 13, 1994), *codified at* 31 U.S.C. § 331(e)(2).

⁴GAO, *Financial Audit: Bureau of the Fiscal Service's Fiscal Year 2018 Schedules of the General Fund*, [GAO-19-185](#) (Washington, D.C.: May 15, 2019). The General Fund received a disclaimer of opinion on the Schedules of the General Fund for our fiscal year 2018 audit; the financial information for the General Fund was not audited for fiscal year 2019 to allow Fiscal Service sufficient time to develop and begin to implement a remediation plan to address the issues we identified as part of the fiscal year 2018 audit.

⁵GAO, *Financial Audit: FY 2020 and FY 2019 Consolidated Financial Statements of the U.S. Government*, [GAO-21-340R](#) (Washington, D.C.: Mar. 25, 2021).

sufficient appropriate evidence to provide a basis for an audit opinion on the Schedules of the General Fund.

Basis for Disclaimer of Opinion on the Schedules of the General Fund

Fiscal Service was unable to readily provide sufficient appropriate evidence to support certain material information reported in the accompanying Schedules of the General Fund. The underlying scope limitations are the basis for our disclaimer of opinion on the Schedules of the General Fund. Because of these limitations, we caution that amounts reported in the Schedules of the General Fund and related notes may not be reliable. These scope limitations relate to the following.

Identifying and tracing transactions in the Schedules of the General Fund general ledgers. Fiscal Service was unable to readily identify and trace 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. As a result, we were unable to complete audit procedures designed to substantiate the information reported in the affected line items on the Schedules of the General Fund. Specifically, the significant deficiency that contributed to this scope limitation, originally identified in our fiscal year 2018 audit, pertained to Fiscal Service's inability to do the following:

- **Identify journal entries.** Fiscal Service uses a complex automated interface between the Central Accounting Reporting System (CARS) and the General Fund general ledgers to generate the journal entries posted to the general ledgers.⁶ Given the complexities involved in how journal entries post, Fiscal Service is unable to readily identify all journal entries posted for a specific transaction. However, Fiscal Service has designed certain controls over the interface process. For example, each month Fiscal Service reconciles the federal agencies' account balances in CARS with the Liability for Fund Balance with Treasury (LFBWT) amount recorded in the General Fund general ledger to ensure that the amounts agree. Furthermore, while the automated interface records most journal entries in the general ledgers, Fiscal Service records some journal entries manually using available agency information. Identifying journal entries is further complicated after initial journal entries are posted, as federal agencies can make adjustments that, under the current posting logic, cannot be traced back to the original journal entries.

⁶The majority of the federal government's financial transactions are recorded in CARS, which the Federal Reserve System operates.

Fiscal Service is developing a long-term solution to create an audit trail to support each journal entry recorded in the general ledgers. This solution primarily involves coordinating with federal agencies on reporting the needed level of transaction detail in CARS and identifying and resolving system limitations to report such detail. Until Fiscal Service can readily identify and trace General Fund transactions from initiation through recording in the General Fund general ledgers, we cannot complete audit procedures to determine whether transactions are completely and accurately recorded and reported in the appropriate general ledger accounts and line items within the Schedules of the General Fund.

- **Trace payment schedules to payment vouchers.** Fiscal Service processes payments for most federal agencies based on payment schedules that the agencies certify and submit to it for processing. The Federal Reserve Bank then groups electronic payment schedules into vouchers based on certain criteria to route funds through the banking system. However, payment vouchers recorded in the general ledgers cannot be consistently and readily traced to payment schedules that federal agencies requested and certified for Department of the Treasury (Treasury) disbursement. Currently, Fiscal Service is nearing completion of a reconciliation to trace Treasury Disbursing Office (TDO) payment schedules to payment vouchers. It began to apply the process to the annual TDO payment activity starting with fiscal year 2020. As the reconciliation was not completed in time for this audit, we were unable to readily trace payment vouchers recorded in the general ledgers, most of which are included in the Cash Out line item of the Schedule of the Operations of the General Fund, to certain payment schedules.
- **Identify transactions in certain line items.** Amounts recorded in certain line items are summarized and lack sufficient details for tracing to specific transactions. Specifically, Fiscal Service did not design sufficient agency-reporting requirements that the federal agencies could use to provide it with information, at a transaction level, to support financial reporting for certain line items on the Schedules of the General Fund. Fiscal Service is developing new Business Event Type Codes (BETC) to better trace federal agencies' transactions and improve accounting for and reporting of General Fund transactions and balances in certain line items. These line items include the budget deficit and line items specific to federal debt securities and direct and guaranteed loan financing activity on the Schedule of Changes in

Cash Balance from Budget and Other Activities.⁷ As these new BETCs are still in development, we were unable to readily identify and trace these transactions to line items on the Schedules of the General Fund.

Supporting account attributes of active Treasury Account Symbols (TAS). During our fiscal year 2020 audit, Fiscal Service was unable to readily provide sufficient appropriate audit evidence to support the account attributes assigned to active TASs. A TAS is a unique identifier associated with a federal agency's individual appropriation, receipt, or other fund account as assigned by Treasury in collaboration with the Office of Management and Budget (OMB). The attributes assigned to a TAS, such as an agency identification code, main account code, and available BETCs, determine how transactions are reported on the Schedules of the General Fund. We requested documentation from Fiscal Service to validate the attributes for a statistical sample of active TASs. Fiscal Service was able to provide some but not all of the requested documentation in time for us to complete the fiscal year 2020 audit. As such, we were unable to complete our audit procedures designed to validate TAS attributes.

The (1) significant deficiency contributing to the scope limitation related to identifying and tracing transactions in the Schedules of the General Fund general ledgers and the (2) internal control deficiency contributing to the scope limitation related to supporting account attributes of active TASs, are discussed in more detail in appendix I.

We previously reported two additional scope limitations that contributed to our disclaimer of opinion in our fiscal year 2018 audit: (1) evaluating and resolving differences reported on the Schedules of the General Fund and (2) supporting the LFBWT beginning balance. Fiscal Service addressed these issues such that we no longer considered these to be scope limitations, as discussed below.

- **Evaluating and resolving differences reported on the Schedules of the General Fund.** As reported in our audit of the fiscal year 2018 Schedules of the General Fund, Fiscal Service was unable to

⁷A BETC is an eight-character code that indicates the type of activity reported, such as payments, collections, investments, borrowings, repayments, and so forth. The BETC assignment contributes to classifying transactions to the various sections of the Schedule of Changes in Cash Balance from Budget and Other Activities as well as certain line items on the Schedule of Operations of the General Fund.

determine the effect of certain differences between amounts reported on the Schedules of the General Fund and amounts certain federal agencies reported. These differences are referred to as the Statement of Difference. During our fiscal year 2020 audit, Fiscal Service developed and implemented a methodology to obtain the information necessary to assess the effect of these differences on the Schedules of the General Fund, specifically, the impact of these differences on the calculation of the budget deficit. Fiscal Service sufficiently addressed the internal control issues related to this area such that we no longer consider this to be a significant deficiency in internal control over financial reporting contributing to a scope limitation.

- **Supporting the LFBWT beginning balance.** As reported in our fiscal year 2018 audit of the Schedules of the General Fund, Fiscal Service was unable to readily provide sufficient appropriate evidence to support the beginning balance of the General Fund's LFBWT. During our fiscal year 2020 audit, Fiscal Service implemented new procedures to validate the accounts that composed the \$2.27 trillion LFBWT beginning balance as of October 1, 2018, as well as continue to monitor the balance going forward. The beginning balance represents the cumulative amount of a significant volume of activity that occurred over the past several decades. Fiscal Service was able to readily provide support for a statistical sample we selected from the LFBWT beginning balance as of October 1, 2018. Because of the timing of when we were able to perform our audit procedures for the October 1, 2018 balance, we have not yet subjected the LFBWT balance after October 1, 2018 to audit procedures.

Disclaimer of Opinion on the Schedules of the General Fund

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Schedules of the General Fund section above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Schedules of the General Fund. Accordingly, we do not express an opinion on the Schedules of the General Fund. Also, because of the limitations on the scope of our work discussed above, additional issues may exist that were not identified and could affect the Schedules of the General Fund.

Emphasis of Matter

The following key item deserves emphasis in order to put the information contained in the Schedules of the General Fund into context. However, our disclaimer of opinion noted above is not modified with respect to this matter.

Classification of Federal Agencies' Transactions

As described in Note 1 of the Schedules of General Fund, federal agencies and financial institutions initiate cash activity transactions

outside of the General Fund's reporting entity structure. Fiscal Service implemented CARS to capture the relevant data for these transactions. The federal agencies assign certain classifications in CARS for the transactions. This information determines how the activity is reported on the Schedules of the General Fund based on mapping rules that Fiscal Service designed to generate the journal entries that are posted to the General Fund general ledgers. For example, federal agencies assign the TAS and BETC for the transactions they report to CARS. Fiscal Service uses this information to record the transactions in the Schedules of the General Fund. Fiscal Service provides guidance to federal agencies in the *Treasury Financial Manual* regarding the appropriate classifications for different types of business transactions. Federal agencies are responsible for classifying transactions appropriately; as such, federal agencies maintain all of the detailed information supporting the transactions and are responsible for the related internal controls.

Report on Internal Control over Financial Reporting

We were engaged to audit Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund based on the criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA).⁸

Management's Responsibility

Fiscal Service management is responsible for (1) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and (2) evaluating the effectiveness of internal control over financial reporting, based on criteria established under FMFIA.

Auditor's Responsibility

Our responsibility is to express an opinion on Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund based on conducting the audit in accordance with U.S. generally accepted government auditing standards. Because of the matter described in the Basis for Disclaimer of Opinion on Internal Control over Financial Reporting section below, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

⁸31 U.S.C. § 3512 (c), (d). This act requires executive agency heads to evaluate and report annually to the President and Congress on the adequacy of their internal control and accounting systems and on actions to correct significant problems.

Based on the effects of the scope limitations discussed in our Report on the Schedules of the General Fund above, our internal control work would not necessarily identify all deficiencies in internal control, including those that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or additional significant deficiencies may exist that were not identified.

Definition and Inherent Limitations of Internal Control over Financial Reporting

Internal control over financial reporting relevant to the Schedules of the General Fund 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 the Schedules of the General Fund in accordance with U.S. generally accepted accounting principles, and (2) transactions are executed in accordance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the Schedules of the General Fund. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Basis for Disclaimer of Opinion on Internal Control over Financial Reporting

The scope limitations described in the Report on the Schedules of the General Fund section above prevented us from obtaining sufficient appropriate audit evidence about whether a material weakness exists.

Disclaimer of Opinion on Internal Control over Financial Reporting

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Internal Control over Financial Reporting section above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an opinion on internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund.

In addition to the significant deficiency that contributed to our disclaimer of opinion on the Schedules of the General Fund related to identifying and tracing transactions in the Schedules of the General Fund general ledgers, we found two other significant deficiencies in internal control related to

- information systems controls and
- management's monitoring of internal control over financial reporting.

We discuss these three significant deficiencies, and four additional control deficiencies that we do not consider to be significant deficiencies or material weaknesses, in more detail in appendix I.

**Report on
Compliance with
Laws, Regulations,
Contracts, and Grant
Agreements**

Management’s Responsibility	Fiscal Service management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to Fiscal Service as it relates to the Schedules of the General Fund.
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Auditor’s Responsibility	Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to Fiscal Service that have a direct effect on the determination of material amounts and disclosures in the Schedules of the General Fund, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Fiscal Service as it relates to the Schedules of the General Fund. Because of the limitations discussed below and the scope of our procedures, we caution that noncompliance may occur and not be detected by these tests. Our objective was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. We performed our work in accordance with U.S. generally accepted government auditing standards.
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Results of Our Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements	Our work to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements was limited by the scope limitations described in the Report on the Schedules of the General Fund. U.S. generally accepted government auditing standards and OMB guidance require auditors to report on entities’ compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements.
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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

In commenting on a draft of this report, Fiscal Service concurred with the results of our audit. Fiscal Service stated that it will develop corrective actions for the three new audit recommendations. Fiscal Service also said that it looks forward to continuing to implement corrective actions to overcome the barriers to auditability of the Schedules of the General Fund. In addition, Fiscal Service noted that it maintains controls to confirm the integrity of the government's cash flow. The complete text of Fiscal Service's response is reproduced in appendix III.



Anne Y. Sit-Williams
Director
Financial Management and Assurance

March 15, 2021

Schedules of the General Fund of the U.S. Government

Schedule of the Operations of the General Fund of the U.S. Government As of and For the Year Ended September 30, 2020	
<i>(In millions of dollars)</i>	
	2020
Assets of the General Fund	
Cash held by Treasury for government-wide operations (Note 3)	
Beginning balance	376,236.3
Federal program entity	
Cash in	23,223,460.6
Cash out	(21,829,652.8)
Net activity	1,393,807.8
Ending cash held by Treasury for government-wide operations	1,770,044.1
Assets for entities' custodial and non-entity transactions	
Due from Treasury (Note 4)	
Loans and interest receivable	1,815,742.1
Government-sponsored enterprises	108,910.0
Advances to trust funds	37,166.0
Gold without certificates and silver held by the U.S. Mint	25.0
Taxes receivable, net	236,000.0
Accrual amounts	22,308.8
Total due from Treasury	2,220,151.9
Due from entities	
General Fund receipt accounts (Note 5)	
Balance	25,007,257.8
Balance remitted to the General Fund	(25,007,257.8)
Accrual amounts	76,364.8
Other debt (Note 6)	11,316.6
Total due from entities	87,681.4
Total assets for entity's custodial and non-entity transactions	2,307,833.3
Other assets (Note 7)	1,329.3
Total assets of the General Fund	4,079,206.7
Liabilities of the General Fund	
Liabilities without related budgetary obligations (Note 8)	
Due to Treasury - federal debt and accrued interest payable	27,090,179.3
Due to Treasury - refunds payable	3,750.6
Total liabilities without related budgetary obligations	27,093,929.9
Liability for fund balance with Treasury (Note 9)	
Beginning balance	2,357,186.7
Activity	
Federal program entity	1,608,616.0
Non-federal funds (Note 10)	1,930.0
Total activity	1,610,546.0
Ending liability for fund balance with Treasury	3,967,732.7
Other liabilities	492.6
Total liabilities of the General Fund	31,062,155.2
Net equity (Note 2)	(26,982,948.5)
Total liabilities and net equity	4,079,206.7

The accompanying notes are an integral part of these financial statements.

**Schedules of the General Fund of the U.S.
Government**

United States Government
Schedule of Changes in Cash Balance from Budget and Other Activities
As of and For the Year Ended September 30, 2020

(In millions of dollars)	9/30/2020
Cash flow from budget activities	
Total budget receipts.....	3,419,982.8
Total budget outlays	(6,551,900.2)
Budget deficit.....	(3,131,917.4)
Adjustments for non-cash outlays included in the budget	
Non-cash flow amounts in the budget related to federal debt securities	
Accrued interest	312,054.9
Net amortization.....	40,945.0
Other	63,127.9
Subtotal - adjustments for non-cash flow amounts in the budget related to federal debt securities	416,127.8
Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity	
Interest revenue on uninvested funds.....	23,315.4
Interest expense on entity borrowings.....	(57,629.3)
Downward reestimates/negative subsidy payments.....	(28,913.5)
Subsidy expense/upward reestimates.....	713,628.5
Subtotal - adjustments for non-cash flow amounts in the budget related to guaranteed and direct loan financing activity.....	650,401.0
Total of adjustments for non-cash outlays included in the budget.....	1,066,528.9
Cash flow from activities not included in the budget	
Cash flow from non-budget activities related to federal debt securities	
Interest paid	(314,684.7)
Subtotal - cash flow from non-budget activities related to federal debt securities.....	(314,684.7)
Cash flow from non-budget activities related to guaranteed and direct loan financing activity	
Loan disbursements/default payments.....	(492,532.8)
Fees.....	26,630.7
Principal & interest repayments.....	112,025.1
Other collections on defaulted loans receivable and sale of foreclosed property.....	4,344.8
Subtotal - cash flow from non-budget activities related to guaranteed and direct loan financing activity.....	(349,532.3)
Cash flow from financing federal debt securities	
Borrowings.....	18,969,177.3
Repayments.....	(14,822,445.5)
Discount/premium.....	(32,537.4)
Subtotal - cash flow from financing federal debt securities.....	4,114,194.5
Total cash flow from activities not included in the budget.....	3,449,977.5
Other-General Fund activity	
Allocations of special drawings rights.....	1,563.1
Miscellaneous liability accounts.....	12,059.9
Loans to the International Monetary Fund (IMF).....	1,060.1
Other cash and monetary assets.....	3,065.1
Non-federal securities of the National Railroad Retirement Investment Trust	(299.8)
Miscellaneous asset accounts.....	(209.1)
Transactions not applied to current year's surplus or deficit	(136.5)
Deposit fund liability balances.....	6,022.3
Intragovernmental holdings.....	1,789.7
Entity securities.....	(3,777.1)
Decrease in reserve position in the IMF.....	(8,330.5)
Increase/(decrease) in special drawing rights.....	(1,756.6)
Increase/(decrease) in ESF Foreign Currency.....	(1,831.8)
Total Other.....	9,218.8
 Change in cash held by Treasury for government-wide operations.....	 1,393,807.8
Beginning cash held by Treasury for government-wide operations.....	376,236.3
Ending cash held by Treasury for government-wide operations.....	1,770,044.1

The accompanying notes are an integral part of these financial statements.

Notes to the Schedules of the General Fund of the U.S. Government

Notes to the Schedules of the General Fund of the U.S. Government (General Fund) As of and For the Year Ended September 30, 2020

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

31 U.S.C. §302 establishes the Treasury of the United States (U.S.) Government to reside in the Department of the Treasury (Treasury) and 31 U.S.C. §3513 prescribes that the Secretary of the Treasury (Secretary) shall prepare reports that will inform the President, Congress, and the public on the financial operations of the U.S. government. The Secretary may reorganize the accounting functions, procedures, and financial reports of the Treasury to develop an effective and coordinated system of accounting and financial reporting in the Treasury. The *Schedules of the General Fund of the U.S. Government (Schedules)* are comprised of two separate financial schedules: the *Schedule of the Operations of the General Fund (Operations Schedule)* and the *Schedule of Changes in Cash Balance from Budget and Other Activities (Cash Schedule)*. Managed by the Bureau of the Fiscal Service (Fiscal Service), the *Schedules* have been prepared to report the financial position as of September 30, 2020 and activity for the year then ended associated with operations of the U.S. government. The presentation of the *Operations Schedule* is similar to a balance sheet and was prepared to display the General Fund assets and liabilities used to finance the daily and long-term operations of the U.S. government as a whole. The *Operations Schedule* is divided into the following two main sections: Assets of the General Fund and Liabilities of the General Fund.

Treasury holds and manages the General Fund assets such as cash, loans, and interest receivable and investments in the government-sponsored enterprises (GSEs) on behalf of the U.S. government. These non-entity assets are reported separately by the General Fund on the *Operations Schedule* with a corresponding amount reported as due from Treasury. As a result of the “due to” and “due from” relationship between Treasury and the General Fund, the *Operations Schedule* displays assets due from Treasury separately and in more detail than the amounts for other federal entities (also referred to as “entities” in this document). The balances are also reconciled to their respective amounts within Treasury’s consolidated financial statements Note 4 – Due from the General Fund and Due to the General Fund.

The due from entities section includes year to date activity for General Fund receipt account (GFRA) collections. Entities deposit money from the public for GFRA collections into the Treasury General Account (TGA), which increases cash held by Treasury for government-wide operations and net equity on the *Operations Schedule*. In addition, the entities should record fund balance with Treasury (FBWT) and a custodial liability with the General Fund throughout the fiscal year. The due from entities – GFRA balance on the face displays the balance due to the General Fund. At fiscal year-end, the balance is remitted to the General Fund which results in a total due of zero.

Treasury also manages and reports the General Fund liabilities, primarily federal debt and accrued interest payable, on their consolidated Balance Sheet, with a corresponding amount reported as due from the General Fund. The General Fund due to Treasury balances are on the *Operations Schedule* and broken out between federal debt and accrued interest payable and refunds payable.

The General Fund records the issuance and activity associated with appropriation authority legislatively granted to entities. These authority balances and activity are reflected in liability fund balance with Treasury (LFBWT) of the *Operations Schedule*.

The calculation of net equity on the face of the *Operations Schedule* is the difference between assets and liabilities; however, the composition of net equity is displayed and explained in Note 2 – Net Equity. In other words, the General Fund’s net equity line item represents balances such as the financing provided to every federal entity in the form of an appropriation or other means directed by Congress, net of custodial revenue remitted, and appropriations expended by those entities.

The *Cash Schedule* has been prepared to report the annual budget deficit’s relationship to the change in the government’s cash held by Treasury for government-wide operations, as well as debt held by the public. The budget deficit is the result of outlays (expenditures) exceeding receipts (revenue) during a fiscal year. The budget deficit is primarily financed through borrowing from the public and other transactions, such as payment of interest on Treasury securities held by the public, which require cash disbursements not affecting the deficit. For most security types,

Notes to the Schedules of the General Fund of the U.S. Government

Treasury records outlays for the interest on the federal debt securities as the interest accrues for future payments, not when it disburses the cash interest payment. Also, the budget deficit includes certain amounts that are recognized, but disbursed in a future period, or adjustments that did not affect the cash balance. See Note 11 – Schedule of Changes in Cash Balance from Budget and Other Activities for detailed information.

The *Cash Schedule* also reflects the adjustments for non-cash outlays included in the budget and components affecting cash balance not included in the budget to explain the change in cash held by Treasury for government-wide operations. Consequently, it explains why the budget deficit normally does not result in an equivalent change in the government's cash held by Treasury for government-wide operations.

A. Reporting Entity

Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*, requires entity financial statements to reflect the balances and activities of any reporting entities meeting the principles for inclusion outlined in the standard. General Fund, in accordance with SFFAS No. 47, is a consolidation entity.

Fiscal Service is responsible for maintaining adequate accounting records and selecting and applying appropriate accounting policies related to the General Fund's operations. The General Fund is the reporting entity responsible for recording and reporting the assets and liabilities related to government operations and carrying out the central accounting function for the federal government.

The accounting and reporting for the General Fund are required to complete the government's accounting model and provide support for the budget surplus/deficit. The General Fund transacts with every entity that receives appropriation authority and maintains an intra-governmental relationship with these entities. This relationship begins when Treasury issues appropriation warrants to entities, and the General Fund establishes a liability for the associated FBWT. See Note 9 – LFBWT for detailed information.

As entities carry out their respective entity missions, and use appropriated funds to do so, the General Fund's role is to track the outstanding LFBWT and record the inflow of funds via collections made by the entities. Conversely, it is the responsibility of the entities to properly classify transactions associated with the use of their appropriated funds, as well as the collections made on behalf of the General Fund. Entities remain accountable for the proper transaction classification, funds control, and compliance with laws and regulations such as the Payment Integrity Information Act of 2019 and the Antideficiency Act.

B. Basis of Accounting

The *Schedules* are the financial reports summarizing the balances and transactions of the General Fund and associated impacts to cash from budget and other activities. Unlike federal entity financial statements, the *Schedules* are a special purpose financial report (as defined by the Federal Accounting Standards Advisory Board (FASAB) standards regarding the purpose and users of the financial statements) whose primary purpose is to provide support for the *Financial Report of the U.S. Government (Financial Report)*.

The *Schedules* were prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Accounting principles generally accepted for federal entities are the standards prescribed by FASAB, which is the official body for setting accounting standards for the federal government. The FASAB issued SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles*. SFFAS No. 34 identified the sources of accounting principles and the framework for selecting the principles used in the preparation of general-purpose financial reports of federal reporting entities that are presented in accordance with generally accepted accounting principles.

The *Operations Schedule* is reported on an accrual basis and the *Cash Schedule* is generally reported on a cash basis with certain accrual based lines (e.g. accrued interest). The intent and design of the *Schedules* is to ensure that federal entity information is properly eliminated in preparation of the *Financial Report*. As a result, the General Fund reports proprietary activity and balances without a budgetary impact, as the entities are responsible for their use of budget authority and record this usage in their individual entity financial reporting. The activities of the General Fund are primarily intra-governmental in nature and should eliminate when consolidated into the *Financial Report*.

**Notes to the Schedules of the General Fund of
the U.S. Government**

Fiscal Service is responsible for the preparation and fair presentation of the *Schedules* in accordance with U.S. GAAP and maintaining effective internal controls over financial reporting relevant to the *Schedules*. This includes assertions that the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the *Schedules* being free from material misstatement, whether due to fraud or error.

C. Changes in Cash Balance from Budget and Other Activities

The budget deficit is primarily financed through borrowings from the public. When outlays exceed receipts, the difference is a deficit. The budget treats borrowing and debt repayment as a means of financing, not as receipts and outlays. The budget records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when the cash is paid.

Non-cash flow amounts in the budget related to loan financing account activity also reflect intra-governmental transactions such as interest expense paid or interest revenue received from Treasury, entity year-end credit reform subsidy reestimates, and the receipt of subsidy expense from program accounts. Cash flow from non-budget activities related to loan financing account activity includes all cash flows to and from the public, including direct loan disbursements/default payments to lenders, fees collected, principal and interest repayments, collections on defaulted guarantee loans, and sale proceeds of foreclosed property. The budget totals exclude the transactions of the financing accounts because they are not a cost to the government. However, since loan financing accounts record all credit cash flows to and from the public, they affect the means of financing a budget deficit. For more information, see Note 11 – Schedule of Changes in Cash Balance from Budget and Other Activities.

D. Disclosure Entity

Under SFFAS No. 47, *Reporting Entity*, the Federal Reserve System (FR System) is a disclosure entity. The FR System includes the Federal Reserve Board of Governors, Federal Reserve Banks (FRBs), and the Federal Open Market Committee. The FR System is responsible for providing nationwide payments systems, providing certain financial services to federal entities and fiscal principals, and serving as the U.S. government's bank, among other functions. The FR System serves as a fiscal agent and depository, executing banking and other financial transactions on the behalf of the Fiscal Service. These transactions impact the balances reported in the *Schedules*. Fiscal Service reimburses the FR System for these activities.

E. Classified Activity

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. Accordingly, modifications may have been made to certain presentations and disclosures.

**Notes to the Schedules of the General Fund of
the U.S. Government**

Note 2. Net Equity

The General Fund's net equity line item represents balances such as the financing of every federal entity in the form of an appropriation or other means directed by Congress, net of custodial revenue remitted, and appropriations expended by those entities.

As of and for the year ended September 30, 2020, the General Fund's net equity balance and activity consisted of the following:

Footnote 2: Net equity	
As of and For the Year Ended September 30, 2020	
<i>(In millions of dollars)</i>	
Net equity	2020
Beginning balance	(22,930,789.2)
Cumulative results of operations	
Appropriations - expended	(5,607,803.4)
Transfer in of entity unavailable custodial and non-entity collections	3,770,055.1
Accrual of entity amounts to be collected	130,516.5
Other General Fund financing sources	(5,208.5)
Cancellations of revenue and other financing sources	255.8
Trust fund warrants, net	(1,348,381.7)
Appropriations outstanding	
Warrants issued	(6,999,517.0)
Adjustments	400,120.4
Used	5,607,803.5
Net change	\$ (4,052,159.3)
Net equity	\$ (26,982,948.5)

Cumulative Results of Operations

Expended appropriations are a result of the entities use of appropriated amounts during the fiscal year for goods and services received or benefits provided.

Transfers in of entity unavailable custodial and non-entity collections represent the amount of custodial revenue collected by an entity on behalf of the General Fund which increases net equity. Examples include collections for taxes such as income, excise, and social security. Entity accruals for amounts to be collected also result in an increase to the General Fund's net equity. When an entity accrues amounts to be collected, this results in an increase to the total due from entities line item on the *Operations Schedule* and accrual of entity amounts to be collected in Note 2. Once these accruals are collected, the accrual of entity amounts to be collected line item decreases and the transfer in of entity unavailable custodial and non-entity collections line item increases, which does not impact net equity.

Other General Fund financing sources represent the reciprocated amounts of accruals and amortization related to federal debt not yet outlaid; as well as, other entity amounts authorized by law for financing by the General Fund.

**Notes to the Schedules of the General Fund of
the U.S. Government**

The cancellations of revenue and other financing sources represent the amount of canceled authority derived from revenue and other financing sources returned to the General Fund by an entity. Examples include spending authority from offsetting collections and special or trust fund receipts administratively withdrawn. These increase the General Fund net equity balance.

Trust fund warrants (issued net of adjustments) are amounts appropriated to the various available trust fund receipt accounts via a warrant journal voucher. The warrant journal voucher moves the FBWT from the GFRA to the available trust fund receipt account, thus decreasing net equity.

Appropriations Outstanding

Warrants issued are a result of one or more appropriation acts being signed into law by Congress and the President. These appropriations and subsequent warrants issued provide budget authority to entities to incur obligations and expend funds from the General Fund. There are three types of warrants included in this line item: appropriation, surplus, and continuing resolutions. Appropriation adjustments contain sequestration and rescissions that reduce budget authority previously provided by Congress. These adjustments are recognized as entities record negative warrants. Surplus warrants are used to withdraw or cancel unobligated balances of appropriations.

Appropriations used are a result of the entities' use of appropriated amounts during the fiscal year for goods and services received or benefits provided.

Coronavirus Disease 2019 (COVID-19) Relief Legislation

In fiscal year 2020, COVID-19 appropriations were signed into law resulting in a significant increase of appropriations created and subsequent warrants issued by the General Fund and corresponding LFBWT. Cash held by Treasury for government-wide operations was also significantly impacted due to COVID-19 appropriations. This was due to Treasury maintaining an elevated cash balance to maintain prudent liquidity in light of the size and relative uncertainty of COVID-19 related outflows. This increase is reflected within the face of the *Operations Schedule* and related notes. These increased amounts are not disclosed in separate line items of the *Operations Schedule* because they were treated as any other typical warrants issued. As a result of economic impacts of the COVID-19 pandemic and legislative and other actions taken in response to it, the budget deficit increased during the second half of the year. For more information regarding the budget impact related to the COVID-19 pandemic, see the September, fiscal year 2020 Monthly Treasury Statement (MTS).

For detailed information related to specific impacts on individual programs, please refer to individual federal entity audited financial reports (AFRs) and associated footnote disclosures about the use of COVID-19 funding. Entities significantly impacted include but are not limited to Treasury, Small Business Administration (SBA), Department of Health and Human Services (HHS), and Department of Labor (DOL).

**Notes to the Schedules of the General Fund of
the U.S. Government**

Note 3. Cash Held by Treasury for Government-wide Operations

This balance is principally comprised of the operating cash of the U.S. government held in the Federal Reserve Bank of New York's (FRBNY) TGA, net of outstanding checks. FRBNY is custodian of the account for operating cash of the U.S. government, known as the TGA or Federal Reserve Account. The TGA is the U.S. government's checking account used for payments and collections. Also included is a small amount of foreign currency and cash held outside of the TGA maintained by various U.S. disbursing offices.

Cash in is largely comprised of federal debt issuances of Treasury securities and accrued interest collected, and tax receipts (e.g. individual income tax, corporate income tax, etc.) and to a lesser extent national park entrance fees, passport fees, student loan repayments, and customs duties. These transactions vary by entity and are received through a variety of channels including over-the-counter, mail/lockbox, phone, electronic payments, and payments directly through financial agent channels (commercial depositories).

Social security benefits, healthcare benefits, federal debt redemptions, and interest paid are among the largest sources of cash out. Other examples include Supplemental Security Income, federal pension benefits, veterans' compensation, pension and education benefits, Railroad Retirement pensions, federal income tax refunds, vendor payments, employee salaries, federal debt repaid to the public, and others.

The *Cash Schedule* reconciles the budget deficit to the cash held by Treasury for government-wide operations' ending cash balance.

To find more information regarding the substantial increase in cash held by Treasury for government-wide operations, see the COVID-19 Appropriations section in Note 2.

Notes to the Schedules of the General Fund of the U.S. Government

Note 4. Due from Treasury

The General Fund's assets held and managed by Treasury constitute resources available to meet the operating needs of the U.S. government. Treasury reports these managed assets separately on its consolidated Balance Sheets with a corresponding liability due to the General Fund. The General Fund records an asset within the due from Treasury of the *Operations Schedule* to reciprocate this liability. These amounts are comprised of loans and interest receivable; GSEs; advances to trust funds; gold without certificates and silver held by the U.S. Mint; taxes receivable, net; and accrual amounts all of which are reported by Treasury and the corresponding offsets are recorded as reciprocals by the General Fund. A description of each asset due from Treasury is below.

Loans and Interest Receivable

The General Fund's intra-governmental non-entity loans and interest receivable from other entities represent the principal and related interest receivable on loans issued through Treasury. The General Fund acts as an intermediary issuing these loans because the receiving entities lend these funds to third parties to carry out various programs of the U.S. government. The General Fund does accrue interest on intra-governmental loans when earned. The accrued interest is also recorded in the accrual of entity amounts to be collected line item in Note 2. The loans and interest receivable balance due from Treasury includes intra-departmental balances (between the General Fund reporting entities) which the General Fund eliminates for financial statement presentation purposes. For more detailed information on loans and interest receivable, refer to Treasury's AFR Note 3. Loans and Interest Receivable – Intra-Governmental.

GSE

GSEs are financial service corporations established by statute to support mortgage lending. Treasury holds investments (senior preferred stock and warrants for the purchase of common stock) on behalf of the General Fund in two GSEs, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). GSEs are also recorded in transfer in of entity unavailable custodial and non-entity collections in Note 2. For more detailed information on GSEs and the related valuation methodology, refer to Treasury's AFR Note 11. Investments in Government-Sponsored Enterprises.

Advances to Trust Funds

The General Fund issues advances to DOL Unemployment Trust Fund for states to pay unemployment benefits. Fiscal Service accounts for the advances issued on behalf of the General Fund. Consistent with 42 USC 1323 – *Repayable Advances to Federal Unemployment Account*, these advances bear an interest rate that is computed as the average interest rate as of the end of the calendar month preceding the issuance date of the advance for all interest-bearing obligations of the U.S. that form the public debt, to the nearest lower 1/8 of 1.0 percent. Interest on advances is due on September 30 of each year. DOL repays advances when the Secretary, in consultation with the Secretary of DOL, determines that the balance in the Unemployment Trust Fund is adequate to allow repayment. Interest is also recorded in the accrual of entity amounts to be collected line item in Note 2, and adjustments to the principal are also recorded in the other General Fund financing sources line item in Note 2.

The General Fund issues advances to the HHS' Federal Supplementary Medical Insurance Trust Fund (FSMITF) to temporarily replace the reduction in Medicare Part B participants' premiums. Fiscal Service accounts for the advances issued on behalf of the General Fund. Consistent with the prohibition against federal interference imposed by 42 USC 1395 – *Prohibition Against Any Federal Interference*, these advances do not bear any interest. HHS repays advances over time from amounts collected from certain participants' increase in premiums until the balance due reaches zero. FSMITF is also recorded in the other General Fund financing sources line item in Note 2.

For more detailed information on advances to trust funds, refer to Treasury's AFR Note 4. Due from the General Fund and Due to the General Fund.

**Notes to the Schedules of the General Fund of
the U.S. Government**

Gold without Certificates and Silver Held by the U.S. Mint

The General Fund reports gold without certificates and silver held by the U.S. Mint. The U.S. Mint, a bureau of Treasury, holds 100,000 fine troy ounces (FTO) of custodial gold reserves without certificates (100,000 FTO x \$42.2222 statutory carrying value = \$4 million) and 16,000,000 FTO of custodial silver (16,000,000 FTO x \$1.2929 statutory carrying value = \$21 million). For more detailed information on gold and silver, refer to Treasury's AFR Note 6. Gold and Silver Reserves, and Gold Certificates Issued to the Federal Reserve Banks.

Taxes Receivable, Net

The General Fund reports federal taxes receivable consisting of tax assessments, penalties, and interest not paid or abated, and agreed to by either the taxpayer and Internal Revenue Service (IRS), or the courts. The receivable is net of an allowance for doubtful accounts, an estimate for uncollectible amounts. The General Fund records an increase to assets for entity's custodial and non-entity liabilities when the IRS records federal taxes receivable due from taxpayers. Taxes receivable is also recorded in the accrual of entity amounts to be collected line item in Note 2. For more detailed information on the calculation of the estimated taxes receivable, refer to Treasury's AFR Note 8. Taxes, Interest, and Other Receivables, Net.

Accrual Amounts

Fund balance reported in this amount represents the non-entity funds Treasury holds on behalf of the General Fund. It is used to administer programs such as the Presidential Election Campaign and payments for Legal Services Corporation and are not available for Treasury's general use. The remaining balance is comprised of the following non-entity assets: intra-governmental accounts receivable; credit reform downward subsidy re-estimates; loans and interest receivable; other non-entity receivables due to the General Fund; COVID-19 notes and interest receivable; and COVID-19 investments. These accrual amounts are also recorded in the accrual of entity amounts to be collected line item in Note 2. For more detailed information on these balances, refer to Treasury's AFR Note 4. Due from the General Fund and Due to the General Fund.

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Note 5. Due from Entities – General Fund Receipt Accounts

As of September 30, 2020, entities' GFRA balances consisted of the following:

Footnote 5: General Fund Receipt Accounts	
As of and For the Year Ended September 30, 2020	
<i>(In millions of dollars)</i>	
General Fund receipt accounts by major class	2020
Debt held by the public principal	\$ 22,582,970.6
Taxes	2,166,650.7
Receipts from monetary power	81,920.1
Interest	58,880.7
Customs duties	51,941.9
Negative subsidies and downward re-estimates of subsidies	28,913.5
Fines, penalties, and forfeitures	10,473.6
Fees and other charges for services and special benefits	8,031.6
Recoveries and refunds	7,162.4
Realization upon loans and investments	3,490.6
Fees for regulatory and judicial services	3,354.1
Royalties	2,871.8
Sale of products	216.7
Interest on advances for unemployment	192.2
Rent, including bonuses	152.0
Dividends and other earnings	33.6
Sale of government property	1.3
Gifts and contributions	0.4
	<u>25,007,257.8</u>
Balance Remitted to the General Fund	(25,007,257.8)
Total	\$ -

The Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4700, Section 4703, defines a GFRA as "a receipt account credited with all funds from collections that are not identified by law for another account for a specific purpose." These include taxes, customs duties, and miscellaneous collections. Entities report activity to Treasury in GFRA's. These accounts are held and managed by the Treasury on behalf of the General Fund.

Entities are responsible for classifying amounts to the appropriate GFRA, which are not classified as dedicated collections as defined by law for a specific purpose. Entities deposit money from the public for GFRA collections into the TGA as prescribed in legislation when funds are to be collected on behalf of the General Fund. In these instances, entities act as a custodian and have responsibility to ensure proper accounting and reporting for these inflows until they are remitted to the General Fund, which includes the proper classification of the collection activity based on the authorizing legislation. The impact to the *Operations Schedule* is an increase to cash held by Treasury

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for government-wide operations and net equity (transfer in of entity unavailable custodial and non-entity collections).

The entities must record GFRA collections as FBWT and a custodial liability with the General Fund throughout the fiscal year. These transactions also increase LFBWT and due from entities – GFRA balance on the *Operations Schedule*.

At fiscal year-end, entities record the settlement of FBWT and the associated custodial liability with the General Fund. The General Fund reciprocates and records the closing of these accounts through year-end accounting transactions. This creates a decrease to the LFBWT and offsets the due from entities – GFRA balance with a negative amount for due from entities – balance remitted to the General Fund resulting in a total due of zero.

Some non-cash collections recorded in the GFRAs are capital transfers and payments on loans and interest receivable from entities who borrowed funds through Treasury's Federal Borrowings Program. These represent increases and decreases of FBWT, not actual cash reflected in net activity of cash held by Treasury for government-wide operations.

The largest component of the GFRA balances is the debt held by the public principal issued during the fiscal year. This amount represents the current year's collections for securities issued by Fiscal Service which include, but are not limited to, Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Inflation-Protected Securities, U.S. Savings Bonds, and State and Local Government Series securities less discounts on the original issues. As of September 30, 2020, these collections totaled \$22,582,970.6 million.

Government Account Series (GAS) Treasury overnight Certificates of Indebtedness (C of I) are securities issued with a stated rate of interest to be applied to their par amount. These securities mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity. These issues are subtracted from the due from entities – GFRA lines of the *Operations Schedule* and related note. As of September 30, 2020, these securities totaled \$99.0 trillion. This treatment is consistent with the *Schedules of Federal Debt* which net the issues and redemptions in its presentation of the intra-governmental debt holdings, so as not to show the overnight activity and unfairly present this activity.

In addition, \$2,166,650.7 million of the GFRAs collections were from taxes. These are collections from levies (other than duties on imports) under the taxing and regulatory powers of the U.S. Constitution, such as income, excise, and social security taxes.

Notes to the Schedules of the General Fund of
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Note 6. Due from Entities – Other Debt

This line item balance represents debt and other liabilities without related budgetary obligations owed by entities to the General Fund. Entities record these as a liability in their financial statements and the General Fund reports a corresponding asset. Since other debt activity is not reported by the entities through the Central Accounting and Reporting System (CARS), the General Fund must rely on trading partner correspondence in order to reciprocate amounts. Balances are adjusted on a quarterly basis.

As of September 30, 2020, ending balances by trading partner for due from entities – other debt consisted of the following:

Footnote 6: Due from Entities – Other Debt	
As of and For the Year Ended September 30, 2020	
<i>(In millions of dollars)</i>	
Federal Program Entity	2020
Department of Commerce	\$ 7,671.1
Department of Energy	3,645.5
Total	\$ 11,316.6

As of September 30, 2020, the Department of Commerce's (DOC) ending other debt was \$7,671.1 million. This balance is comprised of National Telecommunication and Information Administrations (NTIA) investment adjustments regarding the excess assets from the Public Safety Trust Fund. Excess assets are assets beyond priorities one through seven of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act) which specifies that amounts in the Public Safety Trust Fund be invested in accordance with 31 U.S.C. Section 9702. Under this Act, the remaining amounts unspent at the conclusion of fiscal year 2022 are to be deposited to the General Fund.

As of September 30, 2020, the Department of Energy's (DOE) ending other debt balance was \$3,645.5 million. This balance is primarily comprised of appropriated capital used to support DOE's power facilities. DOE has four Power Marketing Administrations (PMAs) that market electricity generated mostly by federal hydropower projects. The PMAs are primarily funded from the following sources: contract and borrowing authority; direct collections generated from the sale of power; and, annual appropriations from the General Fund. Three of the four PMAs receive annual appropriations from the General Fund for construction, operation, and maintenance of their power facilities. This appropriated capital represents the balance of appropriations provided to the PMAs, which must be repaid to the General Fund. However, there is no specific annual repayment amount required.

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Note 7. Other Assets

The General Fund other assets is primarily cash and investments held outside of the Treasury (CIHO).

As of September 30, 2020, other assets consisted of the following:

Footnote 7: Other Assets	
As of and For the Year Ended September 30, 2020	
<i>(In millions of dollars)</i>	
Other Assets by Federal Program Entities	2020
Department of Defense	\$ 860.1
U.S. Postal Service	453.3
Department of the Treasury - Bureau of Engraving and Printing	13.9
Judiciary Branch	1.8
Congress	0.2
Total	\$ 1,329.3

TFM Volume I, Part 2, Chapter 3400, Section 3420, defines CIHO funds as funds under the custodial responsibility of federal government entities and/or their employees, officers, or agents that are deposited in non-TGAs or held in an imprest fund. Entities must record CIHO to specific U.S. Standard General Ledger (USSGL) accounts which are reciprocated by the General Fund.

As of September 30, 2020, the ending other assets balance of Department of Defense (DoD) was \$860.1 million. This balance is primarily cash and foreign currency held by disbursing officers to carry out their paying, collecting, and foreign currency accommodating exchange missions.

As of September 30, 2020, the ending other assets balance of U.S. Postal Service (USPS) was \$453.3 million. This balance represents CIHO by USPS awaiting deposit to the TGA.

**Notes to the Schedules of the General Fund of
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Note 8. Liabilities without Related Budgetary Obligations – Due to Treasury

This amount represents a liability, or future funds required of the General Fund to repay borrowings from the public and other entities. A description of each liability due to Treasury is below. The largest General Fund liability is federal debt and accrued interest payable, obligations of the U.S. government. Treasury is responsible for administering the federal debt on behalf of the U.S. government and the General Fund records these amounts as a liability, due to Treasury - federal debt and accrued interest payable on the *Operations Schedule*, which reciprocates Treasury's receivable.

Federal Debt and Accrued Interest Payable

The federal debt includes borrowings from the public as well as borrowings from entities. Debt held by the public primarily represents the amount the U.S. government has borrowed to finance the cumulative cash deficits. Debt held by other entities, primarily trust funds, represents balances of Treasury securities held by individual entities with either the authority or the requirement to invest excess receipts in Treasury securities, with the principal and interest guaranteed by the full faith and credit of the U.S. government. Federal debt held by other entities, also known as intra-governmental debt holdings, primarily consists of balances in the social security trust funds, Medicare trust funds, Military and Health Care Fund and Civil Service Retirement and Disability Fund (CSRDF).

Per the *Schedules of Federal Debt*, federal debt and accrued interest payable (the total of principal, accrued interest payable, and net unamortized premiums and discounts for both debt held by the public and intra-governmental debt holdings) is \$27,090,179 million as of September 30, 2020.

Please refer to the *Schedules of Federal Debt* at <https://www.treasurydirect.gov/govt/reports/pd/feddebt/feddebt.htm> for more information.

Refunds Payable

Refunds payable arise in the normal course of tax administration when it is determined that taxpayers have paid more than the actual taxes they owe. Only amounts concluded to be valid refunds owed to taxpayers are recorded.

The U.S. government collects money from individuals for income taxes. IRS refunds payable is a fully funded liability. The IRS calculates the taxes payable amount on a monthly basis and reports the amount to the General Fund to record.

The Tax and Trade Bureau (TTB) collects money for alcohol, tobacco, firearms, ammunition, and other special occupational taxes. National Revenue Center (NRC) calculates the amounts for refunds and interest on refunds on these taxes on a monthly basis and reports the amounts to the General Fund. The IRS and NRC record the appropriation amount in their USSGL accounts which the General Fund reciprocates.

**Notes to the Schedules of the General Fund of
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Note 9. Liability for Fund Balance with Treasury

For federal program entities, FBWT is an asset that reflects their available appropriated spending authority and a claim on General Fund assets. The General Fund, as the central reporting entity for the federal government, reciprocates this amount as a LFBWT.

An entity's FBWT and the General Fund's offsetting LFBWT changes throughout the fiscal year. Decreases occur due to entity disbursements made to pay liabilities or to purchase assets, goods, and services; investments in U.S. securities (securities issued by Treasury or other entities); cancellation of expired appropriations; transfers and reimbursements to other entities or the General Fund; sequestration or rescission of appropriations; repayments on borrowings from Treasury and other entities, etc.

LFBWT on the face of the *Operations Schedule* breaks down fiscal year change in activity between an entity and non-federal funds. The entity activity is the change in resources available to support operations/programs. Increases occur due to appropriations and amounts borrowed from Treasury for example. LFBWT for non-federal funds is for cash held in the U.S. Treasury and administered by a federal entity on behalf of fiduciary beneficiaries. The owner of this FBWT is a non-federal party. See Note 10 – Liability for Non-Federal Funds for more information. Per the TFM, entities are required to reconcile their FBWT balances (by Treasury Account Fund Symbol) to CARS on a regular and recurring basis to assure the integrity and accuracy of the *Financial Report* data. When entity balances from payment and collection systems do not match the balances in CARS, it results in a Statement of Difference (SOD). The last row of the table below shows the total SOD amount for all entities as of September 30, 2020.

Please note, while other federal entities distinguish different categories of funds within their FBWT note disclosures, the General Fund's chosen presentation is designed to reflect the manner in which the General Fund derives these amounts. The table below describes the major categories that derive the General Fund's recorded liability and most closely aligns with the MTS and account statement in CARS which is the primary source of the General Fund's general ledger.

Notes to the Schedules of the General Fund of
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As of and for the year ended September 30, 2020, activity and balances for LFBWT consisted of the following:

Footnote 9: Liability for Fund Balance with Treasury (LFBWT) As of and For the Year Ended September 30, 2020										
In millions of dollars										
2020										
Federal Program Entity	Beginning Balance	Appropriation	Transfers	Reversions	Special and Trust Funds	Budget Reversions	Budget Net Outlays	Budget Neutral Receipts and Outlays	Other Adjustments	Ending Balance
Department of the Treasury	942,351.20	4,246,797.2	(29.7)	88,127.0	1,349,022.7	(1,349,022.7)	1,135,461.8	(1,346,789.7)	-	(962,331.0)
Small Business Administration	(7,036.7)	(759,375.9)	-	(364,363.4)	-	-	377,612.1	(365,836.2)	-	(754,400.1)
Deliver Agencies	867,633.9	(823,308.2)	(1,239.8)	51.4	(111.7)	(1,376.5)	794,847.1	91,245.0	(0.1)	(638,148.7)
Department of Health and Human Services	226,237.0	(1,325,576.0)	5.0	-	(229,391.0)	(201,986.3)	1,491,044.2	217,555.7	-	(174,542.4)
Department of Agriculture	(151,647.4)	(195,975.6)	(50.8)	(6,960.1)	(142.9)	(22,938.3)	184,222.3	(2,542.8)	-	(195,418.5)
Department of Education	(104,919.9)	(230,198.5)	-	37,617.6	-	(5.2)	204,415.9	(62,526.6)	-	(136,616.7)
Department of Housing and Urban Development	(110,242.4)	64,736.2	(3.8)	(2,807.6)	-	-	31,389.9	28,542.9	-	(112,596.4)
Department of Homeland Security	(108,071.2)	64,602.4	23.6	0.2	(369.8)	(50,260.0)	-	(3,017.3)	-	(131,012.7)
Department of Veterans Affairs	(58,506.0)	(211,722.1)	-	(18.7)	-	(0.2)	218,566.7	1,339.0	-	(70,461.3)
Department of Transportation	(64,587.2)	445,841.5	(8.5)	2,764.1	(32,182.2)	(31,913.8)	90,726.5	23,221.6	-	465,291.6)
Department of the Interior	(80,052.1)	(14,686.6)	31.6	4.6	(31.9)	(396.0)	12,763.8	378.7	(0.1)	(85,122.2)
Department of State	(61,224.0)	(10,110.7)	79.0	(1.8)	(42.1)	(548.5)	13,503.4	483.4	(0.6)	(59,635.9)
Department of Energy	(41,267.6)	(17,646.7)	(11.0)	(1,594.3)	(11.8)	(7.7)	32,683.9	2,617.3	-	(45,896.4)
Security Assistance Accounts	(41,580.8)	(6,121.5)	47.3	1,357.9	-	-	3,924.0	(741.3)	(18.1)	(42,712.5)
Agency for International Development	(33,586.3)	(13,349.3)	590.7	-	-	-	13,194.6	297.1	17.3	(33,236.1)
Department of Justice	(29,379.3)	(20,503.5)	(17.3)	-	-	(2,683.0)	40,099.9	333.1	-	(16,568.1)
Department of Commerce	(29,072.4)	(7,123.4)	(48.2)	7.3	-	(18.8)	15,778.9	160.5	-	(31,276.3)
Department of Labor	(13,648.0)	(412,609.6)	(0.5)	(333.7)	(6,883.5)	(61,728.9)	484,376.4	(27,264.3)	(0.2)	(19,292.9)
Federal Communications Commission	(14,516.7)	2,620.8	-	-	-	(2,538.5)	7,516.9	(6,903.0)	-	(18,702.3)
National Science Foundation	(14,897.8)	(8,269.4)	-	-	(33.7)	-	7,277.6	4.2	-	(16,019.3)
All Other Entities	(88,276.1)	(208,697.4)	664.6	(2,961.4)	(992,219.5)	(981,942.6)	1,119,992.7	1,038,817.5	(1.7)	(94,628.3)
Liability for Fund Balance While Amending a Worksheet	-	-	-	-	-	-	-	-	-	-
Statement of Differences	(1,205.0)	-	-	-	-	-	-	223.4	-	(1,071.6)
Total	\$ (2,877,696.7)	\$ 26,734.9	\$ (8.2)	\$ (242,474.0)	\$ (8.2)	\$ (3,617,985.0)	\$ 6,551,066.1	\$ (4,556,708.0)	\$ (5.6)	\$ (2,967,732.5)

Notes to the Schedules of the General Fund of the U.S. Government

Appropriation

An appropriation originating from the General Fund authorizes obligations and payments using general funds, special funds, or trust funds. Appropriation-related transactions include increases for new appropriations, reductions for the cancellation of appropriations, reductions for rescissions and appropriation transfers (increases and decreases).

GAS Treasury overnight C of I are securities issued with a stated rate of interest to be applied to their par amount. These securities mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity. These issues are subtracted from the LFBWT of the *Operations Schedule* and related note. As of September 30, 2020, these securities totaled \$99.0 trillion. This treatment is consistent with the *Schedules of Federal Debt* which net the issues and redemptions in its presentation of the intra-governmental debt holdings to accurately present this activity.

The sweeping of miscellaneous General Fund unavailable receipt accounts is also included within the appropriation.

See Note 2 for information related to the COVID-19 appropriations.

Transfers

Transfers reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another by the same amount. A transfer cannot be made unless a law authorizes it. The law may specify a particular transfer or provide general transfer authority within specified limits. Transfers represent the LFBWT fiscal year activity for inter- and intra-entity transfers.

Borrowings

Entities that have legal authority granted by statute may borrow funds from Treasury. Borrowings represent the LFBWT fiscal year activity for the entities' borrowings. The balances related to the borrowing activities are included in the *Operations Schedule* under due from Treasury – loans and interest receivable.

For example, the Department of Education (Education) had outstanding loan balances due to Treasury. Additional amounts borrowed during the current fiscal year, net of any repayments, will equal the amount listed in the borrowings for Education.

Special and Trust Funds

Special and trust funds account for the collections and payments of monies by the government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund or for carrying out the stipulations of a trust agreement where the nation is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). Special funds are established when the law requires the government to dedicate collections from a specified source to finance a particular program and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund.

Special and trust funds represent the LFBWT fiscal year activity for the entities' transfers of unavailable receipt accounts and GFRA to trust fund and special fund expenditure accounts.

Budget Receipts

Budget receipts are collections from the public that result from the government's exercise of its sovereign power to tax or otherwise compel payment. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, regulatory fees, customs duties, court fines, certain license fees, and deposits of earnings by the FR System.

The budget receipts total ties to the total budget receipts line of the *Cash Schedule*.

Notes to the Schedules of the General Fund of the U.S. Government

The General Fund's total budget receipts tie to Table 4 of the MTS with two exceptions. The first exception pertains to backdated budget receipts that were recorded in fiscal year 2019 and prior. These backdated budget receipts are recorded as current year activity in the *Operations Schedule* as well as the *Cash Schedule* whereas the MTS records them differently. The General Fund's position is consistent with federal entities treatment of backdated transactions in that if deemed not material for restatement, this activity will be recorded in the current year. The second exception is the *Operations Schedule* and the *Cash Schedule* also recognize budget receipts after the MTS publication date as current year activity whereas the MTS recognizes the activity in the next reporting period.

There are cash collections not deemed budget receipts and therefore not included in the budget. Fiscal Service establishes deposit fund accounts to record monies that do not belong to the federal government. Monies received by deposit funds are not budget receipts but rather considered a means of financing.

The deposit fund classification is proper for any account that meets one of the following three criteria: monies withheld from government payments for goods and services received; monies the government is holding awaiting distribution based on a legal determination or investigation; deposits received from outside sources for which the government is acting solely as a banker, fiscal agent, or custodian.

Budget Net Outlays

Budget net outlays are net of offsetting collections and offsetting receipts. Offsetting collections are from government accounts or the public that are of a business-type or market-oriented nature. When the collections are authorized by law to be credited to federal entity expenditure fund accounts and are generally available for expenditure without further legislation, they are deemed offsetting collections; otherwise, they are deposited in receipt accounts and called offsetting receipts. An example of a business-type collection from the public is proceeds from the sale of postage stamps.

Budget net outlays are generally accounted for based on checks issued, electronic funds transferred, or cash payments made; however, certain outlays do not require issuance of cash or checks. For example, federal debt is the largest legally and contractually binding obligation of the government and accrued interest on federal debt held by the public is a key metric for financial management decisions. Treasury records budget outlays for the interest on the debt held by the public as it accrues, not when it is paid. Treasury also records a non-cash budget outlay for amortized discount and premiums on debt held by the public over the life of the security.

There are also cash payments not included in budget outlays and therefore not included in the budget. The government does not own deposit fund balances and monies paid by deposit funds are not budget outlays but rather a means of financing.

The budget net outlays total ties to the total budget outlays line of the *Cash Schedule*.

The General Fund's total budget net outlays tie to Table 5 of the MTS with two exceptions. The first exception pertains to backdated budget outlays that were recorded in fiscal year 2019 and prior. Backdated transactions are transactions, approved jointly by Office of Management and Budget (OMB) and Fiscal Service, which are recorded in the current fiscal year with an effective posting date of a prior fiscal year. These backdated budget outlays are recorded as current year activity in the *Operations Schedule* as well as the *Cash Schedule* whereas the MTS records them differently. The General Fund's position is consistent with federal entities treatment of backdated transactions in that if deemed not material for restatement, this activity will be recorded in the current year. The second exception is the *Operations Schedule* and the *Cash Schedule* also recognize budget outlays after the MTS publication date as current year activity whereas the MTS recognizes the activity in the next reporting period.

Budget Neutral Receipts and Outlays

Budget neutral receipts and outlays represent borrowings and other transactions involved in financing a deficit. This also includes debt repayment, the change in cash balances, and certain other transactions involved in using a surplus. The largest activity consists of financing activity and deposit fund activity.

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Accrued interest on federal debt held by the public is recorded as a budget outlay as it accrues, not when it is paid. The cash payment to satisfy the liability for previously accrued interest is not included in the budget. It is reflected in the budget neutral receipts and outlays of LFBWT.

From the budgetary perspective, monies received or paid by deposit funds are not government owned and considered a means of financing. They are not budget receipts or budget outlays and are included in the budget neutral receipts and outlays of LFBWT.

Other Adjustments

Other adjustments include transactions entered by the General Fund in the current fiscal year to write off any accounts with an abnormal (debit) LFBWT balance of less than \$1 million which are identified in the General Fund's annual Treasury Account Symbol (TAS) review.

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Note 10. Liability for Non-Federal Funds

The General Fund receives all cash related transactions from CARS. The transaction level detail passed to the General Fund does not indicate whether the transactions represent fiduciary activity. However, the General Fund reclassifies the fiduciary LFBWT from a federal trading partner to a non-federal trading partner on a monthly basis using a fiduciary TAS report from CARS. At fiscal year end, the amounts for each fiduciary TAS are reviewed to ensure all fiduciary LFBWT activity was properly reclassified throughout the year.

For the year ended September 30, 2020, fiduciary LFBWT net activity consisted of the following:

Footnote 10: Liability for Non-Federal Funds	
As of and For the Year Ended September 30, 2020	
<i>(In millions of dollars)</i>	
Federal Program Entity	Net Activity 2020
Department of Defense	\$ (900.6)
Department of the Treasury	(732.8)
Intelligence Community Oversight	(374.2)
The Judiciary	(38.9)
National Labor Relations Board	(23.8)
Department of Labor	(15.4)
Bureau of Consumer Financial Protection	(13.2)
Library of Congress	(3.5)
Department of Commerce	(2.1)
Department of Transportation	4.4
Federal Retirement Thrift Investment Board	12.7
Department of State	66.3
Department of the Interior	91.1
Total	\$ (1,930.0)

FASAB's SFFAS No. 31, *Accounting for Fiduciary Activities*, defines fiduciary activity when a federal entity collects or receives and subsequently manages, protects, accounts for, invests, and/or disposes of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship. Non-federal parties must have an ownership interest in cash or other assets held by the federal entity under provision of law, regulation, or other fiduciary arrangement and must have judicial remedies available for any breach of the federal government's fiduciary obligation.

Fiduciary cash and other assets are not assets of the government and are not recognized on the *Financial Report's* Balance Sheet. Examples of the government's fiduciary activities include the Thrift Savings Plan (TSP) administered by the Federal Retirement Thrift Investment Board and the Indian Tribal and individual Indian Trust Funds administered by the Department of the Interior (DOI).

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Note 11. Schedules of Changes in Cash Balance from Budget and Other Activities

The *Cash Schedule* reflects the adjustments for non-cash outlays included in the budget and items affecting the cash balance not included in the budget to explain the change in cash held by Treasury for government-wide operations. These adjustments are listed below.

Adjustments for Non-Cash Outlays included in the Budget

Non-cash flow amounts in the budget related to federal debt securities

Accrued interest, net amortization, and other

Debt is the largest legally and contractually binding obligation of the government and is backed by the full faith and credit of the U.S. Government. Accrued interest on federal debt securities is a key metric for financial management decisions. In recording outlays in the budget related to interest payments depends on the security type. For most security types, Treasury records outlays for the interest on the federal debt securities as the interest accrues for future payments, not when it disburses the cash interest payment. Treasury records outlays for the amortization on the federal debt securities as the original issue discount or premium is amortized over the life of the security, not when the security is issued or redeemed. These numbers will not match the *Schedules of Federal Debt* in its entirety. The *Budget* records GAS securities on a cash basis regardless if they are held by federal entities or by the public. GAS securities held by the public are recorded in the *Budget of the United States (Budget)* differently than on the *Schedules of Federal Debt*. Inflation Compensation, Savings Bond Adjustments are also not reported in the *Budget*.

Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity

Interest revenue on uninvested funds and interest expense on entity borrowings

Uninvested funds in the financing account consist of FBWT from borrowings and/or offsetting collections that have not been disbursed. Because entities earn and pay interest on the fund balance at the same interest rate, there is zero net effect for borrowing early and on an estimated basis. Entities must not net the interest earned on uninvested funds against interest expense at year-end. Entities must report the interest revenue and expense separately.

Entities year-end credit reform subsidy reestimates and subsidy expense (income)

The Federal Credit Reform Act of 1990 (FCRA) requires entities to estimate the cost to the government of extending or guaranteeing credit. This cost, referred to as subsidy cost, equals the net present value of estimated cash flows from the government (e.g., loan disbursements and claim payments to lenders) minus estimated cash flows to the government (e.g., loan repayments, interest payments, fees, and recoveries on defaulted loans) over the life of the loan, excluding administrative costs. Discount rates that reflect the federal government's cost of financing are used to determine the net present value of estimated cash flows. Entities generally update—or reestimate—subsidy costs annually to reflect both actual loan performance and changes in expected future loan performance.

Cash Flow from Non-Budget Activities

Cash flow from non-budget activities related to federal debt securities

Interest Paid

The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the federal debt securities as the interest accrues, not when it disburses cash. This line item represents the cash payments made to satisfy the liability for the interest on Treasury securities held by the public that was previously accrued. The ending cash balance has changed because of the interest payment, but the activity is not included in the budget. As a result, the cash payment for the interest paid is part of cash flow from activities not included in the budget.

**Notes to the Schedules of the General Fund of
the U.S. Government**

Cash flow from non-budget activities related to guaranteed and direct loan financing activity

Loan disbursements/default payments, fees, principal and interest repayments, and other collections on defaulted loans receivable and sale of foreclosed property

Some government programs provide assistance through direct loans or loan guarantees. A direct loan is a disbursement of funds by the government to a non-federal borrower under a contract that requires repayment of such funds with or without interest and includes economically equivalent transactions, such as the sale of federal assets on credit terms. A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender. Under FCRA, the actual cash flows to and from the public associated with direct loans and loan guarantees (e.g., loan disbursements, collection of principal, interest and fees, and default payments on guarantees) are recorded in the credit programs' non-budgetary financing accounts. Credit financing accounts are excluded from the budget because they are not allocations of resources by the government. However, even though they do not affect the surplus or deficit, they can either increase or decrease the government's need to borrow.

Cash flow from financing federal debt securities

Borrowings, Repayments, and Discount/Premium

The budget treats borrowings and debt repayments as a means of financing, not as receipts and outlays. This rule applies both to borrowing in the form of federal debt securities issued by Treasury and other entities. The borrowings and debt repayments par amounts are adjusted by the original issue discount and premium. The original issue discount and premium affects the ending cash balance.

Other

Items such as allocations of special drawings rights, miscellaneous liability accounts, loans to the International Monetary Fund, other cash and monetary assets, non-federal securities of the National Railroad Retirement Investment Trust, miscellaneous asset accounts, transactions not applied to current year's surplus or deficit, deposit fund liability balances, intra-governmental holdings related to deposit funds, and entity securities are included in the other line. These items can also be found in the MTS – Table 6, Means of Financing the Deficit or Disposition of Surplus by the U.S. Government.

**Notes to the Schedules of the General Fund of
the U.S. Government**

Note 12. Subsequent Events

Enactment of New COVID-19 Relief Legislation

On December 27, 2020, the President signed into law the *Consolidated Appropriations Act, 2021*, which, as of the date of enactment, rescinded \$429.0 billion of the \$500.0 billion appropriation provided to Treasury under the Coronavirus Aid Relief and Economic Security Act (CARES Act). The remaining unobligated appropriation as of January 9, 2021 will be rescinded as of that date other than with respect to those funds made available for administrative expenses for the Special Inspector General for Pandemic Recovery and for the Congressional Oversight Commission. The amount rescinded in January was \$49.8 billion. In addition, \$146.5 billion that was appropriated to Small Business Administration under the Small Business Administration-Business Loans Program Account, CARES Act was rescinded under the *Consolidated Appropriations Act, 2021*, and deposited into the General Fund of the Treasury. These rescissions will have a significant impact on reducing Appropriations Outstanding as well as LFBWT.

Appendix I: Internal Control Deficiencies and Related Recommendations

Significant Deficiency That Contributed to Our Disclaimer of Opinion on the Schedules of the General Fund

The significant deficiency discussed below contributed to our disclaimer of opinion on the Schedules of the General Fund.

Identifying and Tracing Transactions in the Schedules of the General Fund General Ledgers

During our fiscal year 2018 audit, we identified a significant deficiency related to identifying and tracing transactions in the Schedules of the General Fund general ledgers involving activities related to the following three areas: (1) identifying journal entries, (2) tracing payment schedules to payment vouchers, and (3) identifying transactions in certain line items. Below is an update of the progress the Bureau of the Fiscal Service (Fiscal Service) has made to date. Additionally, see appendix II for the status of our prior recommendations related to this finding as of September 30, 2020.

Identifying journal entries. Fiscal Service uses a complex automated interface between the Central Accounting Reporting System (CARS) and the General Fund of the United States' (General Fund) general ledgers to generate the journal entries posted to the general ledgers. Given the complexities involved in how journal entries post, Fiscal Service is unable to readily identify all journal entries posted for a specific transaction. Contributing to this complexity is how transaction data, from a variety of source systems, are reported to CARS daily. Most of the transaction data reported to CARS from the source systems include the Treasury Account Symbol (TAS) and Business Event Type Code (BETC) classification information necessary to populate the line items of the Schedules of the General Fund. However, certain federal agencies report TAS and BETC classification information to CARS for their transaction data separate from the information reported from the source systems. In addition, federal agencies may submit reclassifications to transaction data previously reported to CARS. During our fiscal year 2018 audit, we found that Fiscal Service could not readily identify and trace General Fund transactions to determine whether they were complete and properly recorded in the correct general ledger accounts and line items on the Schedules of the General Fund.

During our fiscal year 2020 audit, Fiscal Service developed a remediation plan to address its inability to trace the final TAS and BETC classification

information from federal agencies for their transaction data. Specifically, Fiscal Service identified two key areas to address: (1) reporting TAS and BETC classification information to CARS separately from the transaction data reported through the source systems and (2) federal agencies' reclassification of TAS and BETC information for transactions previously reported in CARS. In both instances, the federal agency transaction data are reported at a summarized level, which prevents Fiscal Service from tracing the data to the original transaction data that the source systems reported. Therefore, Fiscal Service is unable to identify and trace General Fund transactions readily to determine whether they are complete and properly recorded in the correct general ledger accounts.

Resolving the first key area depends on converting the remaining federal agencies to full use of CARS for reporting transaction data. Fiscal Service analyzed the additional reporting requirements necessary to obtain the detail to identify and verify all journal entries recorded for each transaction for non-CARS reporters. Based on its analysis, Fiscal Service determined that the best use of its resources would be focusing on converting federal agencies to full CARS reporting, rather than redesigning its process for obtaining the level of detail required for traceability. Fiscal Service anticipates converting all significant federal agencies to full CARS reporting by fiscal year 2023 while acknowledging that this depends significantly on federal agency cooperation.

In order to address the current limitations in identifying and tracing reclassifications to the original journal entries reported to CARS, Fiscal Service began by analyzing the population of reclassifications. It found that federal agencies were using the reclassification submission process to report transactions other than reclassifications. Fiscal Service also met with federal agencies to gain an understanding of their ability to provide reclassification information at the proper level of detail to achieve traceability to the original transactions. Based on the results of the work Fiscal Service has conducted to date, it anticipates issuing guidance to federal agencies to enhance their understanding of reclassifications during fiscal year 2021. Fiscal Service also plans to improve the reclassification submission process within CARS to reasonably assure that federal agencies report reclassification data at the appropriate detailed level by the beginning of fiscal year 2024. Until agencies report reclassification data at the appropriate detailed level, we cannot determine whether transactions are completely and accurately recorded and reported in the appropriate general ledger accounts and line items on the Schedules of the General Fund. (Refer to app. II, recommendation 18-01.)

Tracing payment schedules to payment vouchers. Fiscal Service processes payments for most federal agencies using agency certified and submitted payment schedules. The Federal Reserve Bank then groups electronic payment schedules into vouchers based on certain criteria (such as the routing transit number) to route funds through the banking system. During this grouping process, some of the key information, such as the payment schedule number, is not maintained and reported in the General Fund general ledgers. As a result, each voucher recorded in the General Fund general ledgers could be composed of multiple payment schedules. Further, all vouchers do not include information that could facilitate the tracing of their information to the payment information that federal agencies requested and certified.

During our fiscal year 2018 audit, we found that payment vouchers recorded in the general ledgers, most of which are included in the Cash Out line item of the Schedule of the Operations of the General Fund, could not readily be traced to certain payment schedules that the federal agencies requested and certified for Department of the Treasury (Treasury) disbursement. Specifically, Fiscal Service did not have a process in place that would allow it to readily identify and trace the payment vouchers recorded in the general ledgers to the payment schedules the federal agency certified.

As part of the remediation plan, Fiscal Service analyzed and evaluated current payment processes to develop a systematic process for tracing voucher information to payment schedules. Fiscal Service employed the new process for tracing and reconciling the Treasury Disbursing Office (TDO) payment vouchers to the payment schedules, beginning with October 2019. This reconciliation included all TDO payment activity, except for electronic postpayment activity, such as returns and cancellations. Fiscal Service is in the final stages of performing the reconciliation of TDO payment activity for fiscal year 2020 activity.¹ This reconciliation involves uploading the payment schedules' information from a payment accounting system into the General Fund general ledger system and generating various reports with the information necessary to

¹Although the deficiency we identified during our fiscal year 2018 audit was specific to tracing TDO electronic payment schedules to payment vouchers, TDO payment activity also consists of check issuances and postpayment activity that affect the Cash Out and Cash In line items of the Schedule of the Operations of the General Fund. Fiscal Service's reconciliation includes tracing check issuance transactions in the general ledger to payment schedules. However, Fiscal Service did not include postpayment activity in its reconciliation because of system limitations in traceability. It plans to address postpayment activity separately.

identify and trace payment vouchers to payment schedules. Fiscal Service anticipates completing the reconciliation of the fiscal year 2020 annual TDO payment activity in fiscal year 2021 and subsequently generating monthly reconciliation reports for tracing payment vouchers to payment schedules.

In addition, Fiscal Service is also working on a more comprehensive long-term solution that will include TDO postpayment activity and streamline the process. However, this long-term solution involves changes to several payment systems; it is expected to take several years to complete. Until Fiscal Service completes the tracing of payment schedules to payment vouchers and can reconcile all TDO payment activity, it cannot readily trace payment transactions to the information federal agencies certified. (Refer to app. II, recommendation 18-02.)

Identifying transactions in certain line items. The majority of the federal government's financial transactions are reported to CARS on a daily basis. Federal agencies that have fully implemented CARS can classify payments, collections, and intragovernmental transactions upon initiation, including assigning the TAS and BETC. The TAS and BETC classifications determine how transactions are recorded into the General Fund general ledgers and subsequently determine how transactions are reported on the Schedules of the General Fund based on mapping rules. In addition, Fiscal Service must manually record or adjust some transactions that are not recorded using these mapping rules directly into the general ledgers to be properly reported on the Schedules of the General Fund, as the data are not reported to CARS.

During our fiscal year 2018 audit, we found that amounts recorded in certain line items were summarized and lacked sufficient details for tracing the amounts to specific transactions. Specifically, Fiscal Service did not design sufficient agency reporting requirements, such as a sufficient variety of TAS and BETC combinations in CARS, that the federal agencies could use to provide Fiscal Service with information, at a transaction level, to support financial reporting for certain line items on the Schedules of the General Fund.

In response to this finding, Fiscal Service began developing new BETCs to enable it to trace transactions from the general ledgers to line items and improve the reporting of General Fund transactions and balances. For example, under current procedures, Fiscal Service manually records an estimate for the Appropriations Used line item based on the activity federal agencies recorded in CARS using a single disbursement BETC.

To eliminate the need to estimate the amounts and to identify the transactions that constitute these line items, Fiscal Service developed specific BETCs for federal agencies to use that distinguish between disbursement types. The use of these new BETCs should automatically record the transactions to the appropriate line items at the transaction level.

Similarly, credit program and federal debt transactions on the Schedule of Changes in Cash Balance from Budget and Other Activities are currently recorded using BETCs that represent net activity. Fiscal Service uses sources external to the General Fund to obtain the information necessary to allocate this activity to the appropriate line items. However, once the new BETCs are fully implemented, Fiscal Service stated that their use should automatically generate corresponding journal entries to record the transactions to the appropriate line items and provide more direct traceability of the transactions that constitute the line items.

During our fiscal year 2020 audit, Fiscal Service developed the new BETCs and the corresponding mapping rules designed to record transactions automatically to the appropriate line items. Fiscal Service also published guidance on its website during our fiscal year 2020 audit to help federal agencies properly implement BETCs. However, the success of these efforts largely depends on federal agencies implementing and properly reporting activity using the new, more detailed BETCs, which are not scheduled to be fully implemented until fiscal year 2022. Until the appropriate level of detail at the transaction level is recorded in the general ledgers, we cannot determine whether certain line items are properly supported. (Refer to app. II, recommendation 18-03.)

Other Significant Deficiencies

In addition to the significant deficiency discussed above that contributed to our disclaimer of opinion on the Schedules of the General Fund, we continued to find two other significant deficiencies in internal control: one related to information system controls and one related to management's monitoring of internal control over financial reporting.

Information System Controls

During our audit, we determined that information system control deficiencies—primarily unresolved deficiencies previously reported in our fiscal year 2018 audit and our fiscal year 2019 management report—collectively represent a significant deficiency in Fiscal Service's internal

control over financial reporting.² These 30 total new and ongoing control deficiencies relate to information system general and application controls in the areas of access controls, configuration management, segregation of duties, contingency planning, and security management controls. Of these 30 deficiencies, 20 were identified and reported in connection with the audit of Treasury's fiscal year 2020 consolidated financial statements and directly affect the Schedules of the General Fund.³ Furthermore, during our audit of the fiscal year 2020 Schedules of Federal Debt (SFD), we identified and reported a significant deficiency in SFD information controls that affects the Federal Debt and Accrued Interest Payable line item of the Schedules of the General Fund.⁴

The majority of the 30 control deficiencies identified affected payment systems. During our fiscal year 2020 audit, the General Fund reported nearly \$22 trillion in cash outflows. However, debt repayments and tax refunds collectively represent most of the payment transactions. Debt repayments and tax refunds are reported in the SFD and the Internal Revenue Service's fiscal year 2020 financial statements, respectively, which we audited and reported on separately.⁵ The federal agencies' ability to access their payment activity and to verify whether the General Fund's payment amounts match their own records mitigated the potential effect of these deficiencies on the Schedules of the General Fund. This lessens the likelihood of a material misstatement of cash outflows on the Schedules of the General Fund. Nevertheless, these information system–related control deficiencies increase the risk of unauthorized access to, modification of, or disclosure of sensitive data and programs; unauthorized configuration changes; and disruption of critical operations.

²GAO, *Management Report: Improvements Needed in the Bureau of the Fiscal Service's Information System Controls Related to the Schedules of the General Fund*, GAO-20-398RSU (Washington, D.C.: Mar. 31, 2020).

³Department of the Treasury, Office of Inspector General, *Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2020 and 2019*, OIG-21-019 (Washington, D.C.: Dec. 30, 2020), and *Financial Management: Management Report for the Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2020 and 2019*, OIG-21-021 (Washington, D.C.: Feb. 2, 2021).

⁴See GAO, *Financial Audit: Bureau of the Fiscal Service's FY 2020 and FY 2019 Schedules of Federal Debt*, [GAO-21-124](#) (Washington, D.C.: Nov. 9, 2020).

⁵See [GAO-21-124](#), and *Financial Audit: IRS's FY 2020 and FY 2019 Financial Statements*, [GAO-21-162](#) (Washington, D.C.: Nov. 10, 2020).

While this significant deficiency in internal control over financial reporting continued to exist as of September 30, 2020, Fiscal Service made progress in addressing certain information system control deficiencies. Specifically, Fiscal Service implemented corrective actions to strengthen access controls, segregation of duties, and business processes over various applications. For example, Fiscal Service improved its ability to log and review auditable events by developing and implementing new standard operating procedures. However, we continued to identify a deficiency in access controls related to weaknesses with regard to the principle of least privilege. Additionally, as reported in the audit of Treasury's financial statements, control deficiencies affecting Fiscal Service's mainframe remain mostly unresolved. Continued and consistent management commitment will be essential to remediating the remaining deficiencies, especially those related to Fiscal Service's mainframe.

Because of their sensitive nature, details of these deficiencies and the status of Fiscal Service's corrective actions are reported in a LIMITED OFFICIAL USE ONLY report that we issued concurrently with this report.⁶ The information in our concurrently issued report is sensitive and must be protected from public disclosure. Therefore, further discussion about the information system control deficiencies we identified is omitted from this report.

Management's Monitoring of Internal Control over Financial Reporting

During our fiscal year 2018 audit, we identified a significant deficiency in Fiscal Service management's risk assessment and monitoring of internal control over financial reporting that remains as of September 30, 2020. At that time, we found that Fiscal Service did not adequately identify or test all relevant controls over material financial statement line items and document its test plans to reflect internal control test procedures performed. Since our fiscal year 2018 audit, Fiscal Service improved its monitoring process by (1) conducting a risk assessment that aligns with the General Fund's objectives as an independent reporting entity, instead of relying solely on the results of monitoring procedures conducted on behalf of Fiscal Service in general; (2) demonstrating how tests conducted as part of its Fiscal Service-wide review, as required by the Office of Management and Budget's (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, relate to line items on the Schedules of the General

⁶See GAO, *Management Report: Improvements Needed in the Bureau of the Fiscal Service's Information System Controls Related to the Schedules of the General Fund*, GAO-21-363RSU (Washington, D.C.: Apr. 15, 2021).

Fund; and (3) improving its documented test plans to accurately reflect procedures performed.

However, we found that Fiscal Service did not clearly identify and test all relevant controls for preparing the Schedules of the General Fund. For instance, not all relevant controls over the assignment of TAS attributes were tested as part of Fiscal Service's OMB Circular A-123 review for the General Fund. Furthermore, we found that Fiscal Service did not adequately identify applicable laws and regulations, such as provisions regarding the authority to issue warrants for public funds drawn on the U.S. Treasury consistent with appropriations, to monitor compliance. In addition, we found that Fiscal Service's documented results and conclusions on the overall effectiveness of internal control over financial reporting for the Schedules of the General Fund based on its OMB Circular A-123 review were not adequately supported. Until Fiscal Service fully establishes proper monitoring activities of its internal control system, management will be unable to identify deficiencies and evaluate and develop remediation plans effectively to address those issues in a timely manner. (Refer to app. II, recommendation 18-05.)

Other Control Deficiencies

In addition to the significant deficiencies discussed above, we identified the following four deficiencies in internal control, which we do not consider to be material weaknesses or significant deficiencies. We identified three of the four deficiencies during our audit of the fiscal year 2020 Schedules of the General Fund and the details are described below. In addition, we provide an update for the remaining deficiency, which we identified in our fiscal year 2018 audit.

Supporting Account Attributes of Active TASs

A TAS is a unique identifier associated with a federal agency's individual appropriation, receipt, or other fund account that Treasury assigns in collaboration with OMB. Each TAS is assigned attributes, such as an agency identification code, main account code, and available BETCs, which are input into CARS. These attributes indicate how transactions recorded to each account are recognized within the line items on the Schedules of the General Fund.

Fiscal Service is responsible for establishing and maintaining these TASs. When establishing a TAS, Fiscal Service prepares an announcement form, documenting information such as the account name, responsible agency, legal authority, and OMB guidance used to support the establishment (as applicable). The information, which Fiscal Service compiles from various sources, including statutes and regulations, OMB, and the requesting federal agency, determines the attributes assigned to

the account. The internal control deficiency discussed here contributed to our disclaimer of opinion on the Schedules of the General Fund.

Condition. During our audit, we found that documentation could not be readily provided to sufficiently support certain attributes for 38 accounts and the BETC assignments for an additional 10 accounts (of 93 accounts selected for testing).

Criteria. Internal control standards state that management should design control activities to achieve objectives and respond to risks.⁷ For financial reporting, such objectives include the proper classification of reported amounts.

Cause. Fiscal Service did not design procedures to periodically review and maintain documentation to support account attributes for all active TASs within CARS to reasonably assure that account attributes remained appropriately assigned based on current legal authorities, OMB guidance, and coordination with federal agencies.

Effect. Without procedures to reasonably assure that TAS attributes are appropriately established and maintained within CARS, there is an increased risk of misstating line item balances on the Schedules of the General Fund.

Recommendation for Executive Action. The Commissioner of Fiscal Service should design and implement procedures to periodically review and maintain documentation to support account attributes for all active TASs to reasonably assure that activity recorded to each account is properly recognized in the Schedules of the General Fund. (Recommendation 1)

Account Reconciliation Requirements for Federal Agencies

As discussed above, a TAS is a unique identifier associated to a federal agency's individual appropriation, receipt, or other fund account. Fiscal Service assigns attributes to each TAS and these attributes dictate how transactions are recorded to specific line items on the Schedules of the General Fund. Some TASs may be assigned subsidiary accounts, which are used to further classify activity within the main account. Subsidiary account attributes may differ from those of the main account, resulting in transaction activity being recorded to different line items on the Schedules

⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

of the General Fund. Furthermore, most TAS balances are only summarized at the main account level within CARS. Federal agencies use the CARS data to reconcile activity with their internal records to ensure consistency in reporting.

Condition. During our audit, we identified differences between subsidiary-level account balances that federal agencies and Fiscal Service reported. Since federal agencies do not reconcile at the subsidiary level, in one instance, it is unknown whether the difference identified had an effect on the activity being recorded to budget outlays instead of budget receipts.

Criteria. Internal control standards state that management should design control activities to achieve objectives and respond to risks.⁸ For financial reporting, such objectives include properly classifying transactions within the financial statements.

Cause. Federal agencies are required by the *Treasury Financial Manual* to reconcile their TAS balances only at the main account level; there is no requirement for them to reconcile at the subsidiary account level.⁹ Furthermore, Fiscal Service does not provide TAS balances at the subsidiary level for all accounts within CARS.

Effect. By not requiring federal agencies to reconcile TAS balances per their internal records to CARS at the appropriate detailed level, Fiscal Service risks inaccurately reporting transactions and misstating line item balances on the Schedules of the General Fund.

Recommendation for Executive Action. The Commissioner of Fiscal Service should design and implement procedures to reasonably assure that federal agencies reconcile their account balances per their internal records to CARS at the appropriate detailed level to provide for accurate reporting of line items on the Schedules of the General Fund.
(Recommendation 2)

⁸GAO-14-704G.

⁹Department of the Treasury, "Fund Balance with Treasury Accounts," ch. 5100 of *Treasury Financial Manual*, vol. I, pt. 2 (revised Aug. 25, 2020).

Restricting Access to TASs Fiscal Service assigns federal agencies agency location codes (ALC) to use when reporting their transactions to CARS. Each federal agency can have multiple ALCs. An individual ALC is assigned to different components of a federal agency, and a single ALC can report transactions to many TASs. Using their assigned ALCs, federal agencies report their transactions to specific TASs, which have certain attributes (for example, agency identification code and main account code) that determine how those transactions are recognized within the line items on the Schedules of the General Fund.

Condition. During our audit, we found that federal agencies have the capability to report transactions to any TAS that is active within CARS regardless of whether a federal agency's ALCs are assigned to the account.

Criteria. Internal control standards state that management should design the entity's information system and related control activities to achieve objectives and respond to risks.¹⁰ These control activities should restrict authorized users to functions commensurate with their assigned responsibility.

Cause. Fiscal Service has not established controls to restrict access to a TAS, such as by ALC, to only those federal agencies to which the account belongs.

Effect. By not establishing controls to restrict access to TASs to those with an authorized need, Fiscal Service increases the risk of federal agencies reporting transactions inaccurately to CARS and of Fiscal Service misstating line item balances on the Schedules of the General Fund.

Recommendation for Executive Action. The Commissioner of Fiscal Service should establish controls to restrict access to each TAS to only those federal agencies to which the account belongs. (Recommendation 3)

¹⁰[GAO-14-704G](#).

Agency-Submitted
Information

As previously reported in our fiscal year 2018 audit, we identified a control deficiency related to Fiscal Service's agency-submitted information. Specifically, this deficiency involved activities related to the following two areas: (1) evaluating federal agency use of BETCs and (2) reviewing agency submission forms.

Evaluation of BETC usage. In fiscal year 2018, we reported that Fiscal Service does not have a mechanism for evaluating federal agencies' use of BETCs for consistency with existing guidance. Fiscal Service uses federal agencies' classification, including TAS and BETC attributes, to record transactions in the General Fund general ledgers, which subsequently determines how transactions are reported on the Schedules of the General Fund. During our fiscal year 2020 audit, Fiscal Service enhanced its guidance on proper BETC use and published the guidance on its website for federal agencies' use. Fiscal Service also began developing a mechanism by which it can evaluate federal agencies' use of BETCs. Specifically, Fiscal Service began mapping the *United States Standard General Ledger* (USSGL) accounts to the related BETCs. This will allow Fiscal Service to develop automated edit checks to help ensure that federal agencies are implementing BETCs as designed. Fiscal Service intends to establish these edit checks within the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS), as federal agencies report their USSGL balances to GTAS monthly. These edit checks will compare the USSGL balances federal agencies reported with BETC activity reported in the General Fund's general ledgers. However, Fiscal Service has not scheduled them to be fully implemented until fiscal year 2022. Therefore, Fiscal Service remains at an increased risk that federal agencies may not properly classify their transactions. (Refer to app. II, recommendation 18-07.)

Agency submission forms. In our fiscal year 2018 audit, we reported that Fiscal Service did not independently obtain and review supporting documentation for activity reported in the Schedules of the General Fund that relied solely on information included in agency submission forms. Fiscal Service relies on agency submission forms for information that is not reported in CARS. In addition, Fiscal Service did not have procedures to assess the overall completeness of the activity related to the Due from Agencies - Accrual Amounts, Due from Agencies - Other Debt, and Other Liabilities line items. Using the information federal agencies provide for these line items, Fiscal Service records manual journal entries in the General Fund general ledgers in order to eliminate intragovernmental transactions in the consolidated financial statements of the U.S. government. During our fiscal year 2020 audit, Fiscal Service engaged

federal agencies to obtain the additional information needed to validate the information submitted through agency submission forms. It plans to finalize its updated procedures during fiscal year 2021. Fiscal Service is also working to provide updated guidance in the *Treasury Financial Manual* during fiscal year 2021 to improve the agencies' understanding of what is required in the agency submission forms. However, until it obtains adequate documentation to support the information included in agency submission forms, Fiscal Service continues to have insufficient data for assessing whether transactions included in the forms are appropriately recorded and reflected on the Schedules of the General Fund. (Refer to app. II, recommendation 18-08.)

Appendix II: Status of GAO’s Prior Recommendations

Table 1 shows the status of prior recommendations from our audit of the fiscal year 2018 Schedules of the General Fund. The abbreviations used are defined in the legend at the end of the table.

Table 1: Status of Prior Recommendations Related to the Schedules of the General Fund		
Number	Recommendation and analysis of corrective actions taken	Status
Identifying and tracing transactions in the Schedules of the General Fund general ledgers		
18-01	The Commissioner of Fiscal Service should develop and implement a mechanism to reasonably assure that all the journal entries recorded in the Schedules of the General Fund general ledgers can be readily identified and traced, such as through a unique identifier, to determine the effect of a transaction on all applicable general ledger accounts and line items of the Schedules of the General Fund, including the budget deficit. Actions taken: Fiscal Service is developing a long-term strategy to address this recommendation that primarily includes coordinating with federal agencies on the level of transaction detail they report and identifying system limitations around the reporting of such detail. Furthermore, Fiscal Service’s ability to address this finding is contingent on converting any remaining federal agencies to full CARS reporters, which is dependent on federal agency cooperation. Resolution of this recommendation is anticipated in fiscal year 2024.	Open
18-02	The Commissioner of Fiscal Service should develop and implement a mechanism to reasonably assure that payment transactions recorded in the Schedules of the General Fund general ledgers capture all of the key information needed, including payment schedules if applicable, to readily trace transactions to the information certified by the federal agency. Actions taken: Fiscal Service is developing a reconciliation to trace the TDO payment voucher amounts to the payment schedules and anticipates completing this in fiscal year 2021.	Open
18-03	The Commissioner of Fiscal Service should develop and implement additional reporting requirements with related guidance for federal agencies that better align with the General Fund financial reporting objectives and enable Fiscal Service to capture the effect of a transaction on all applicable general ledger accounts and line items of the Schedules of the General Fund, including the budget deficit. Actions taken: Fiscal Service is developing additional BETCs that would reflect the effect of transactions in the Schedules of the General Fund; implementation is expected to occur in fiscal year 2022. Furthermore, Fiscal Service published guidance for federal agencies on the proper usage of BETCs (see 18-06 below).	Open
Evaluating and resolving differences reported on the Schedules of the General Fund		
18-04	The Commissioner of Fiscal Service should develop and implement a process that would enable Fiscal Service to obtain the information necessary to effectively assess the effect of the Statement of Difference on the Schedules of the General Fund for those federal agencies that have not implemented CARS. Actions taken: Fiscal Service first conducted outreach to federal agencies to identify and resolve the root cause of the statements of difference. For those differences that could not be resolved, Fiscal Service developed a methodology to effectively assess the effect of the differences using historical data.	Closed

**Appendix II: Status of GAO's Prior
Recommendations**

Number	Recommendation and analysis of corrective actions taken	Status
Management's risk assessment and monitoring of internal control over financial reporting		
18-05	The Commissioner of Fiscal Service should design and implement procedures to evaluate risks and monitor internal controls over financial reporting relevant to the Schedules of the General Fund. Actions taken: Fiscal Service has taken certain actions regarding its procedures to evaluate risk and monitor internal controls over financial reporting relevant to the Schedules of the General Fund. It has stated its commitment to continue addressing the remaining control deficiencies in this area during fiscal year 2021.	Open
Agency-submitted information		
18-06	The Commissioner of Fiscal Service should enhance guidance available to federal agencies to comprehensively define and describe the proper use and related accounting implications of each BETC. Actions taken: Fiscal Service established BETC guidance that defined, indicated proper usage, and identified the accounting implication of each BETC. This guidance was published on its website for federal agencies' use. Fiscal Service updates the guidance as needed but at a minimum annually.	Closed
18-07	The Commissioner of Fiscal Service should develop and implement a mechanism for evaluating agencies' use of BETCs based on the enhanced guidance. Actions taken: Fiscal Service began mapping USSGL accounts to the related BETCs, which, according to Fiscal Service, will be used to develop automated edit checks to help ensure that federal agencies are implementing BETCs as designed. Fiscal Service intends to establish these edit checks within GTAS, as federal agencies report their USSGL balances to GTAS monthly. These edit checks, if designed appropriately, should compare the USSGL balances that federal agencies report to BETC activity reported in the General Fund's general ledgers. However, they are not scheduled to be fully implemented until fiscal year 2022.	Open
18-08	The Commissioner of Fiscal Service should design and implement procedures to (1) obtain and review supporting documentation for reported activity included on agency submission forms and (2) assess the overall completeness of federal agency activity reported on agency submission forms. Actions taken: Fiscal Service is working with federal agencies to obtain additional information to enhance its ability to confirm information submitted through agency submission forms. It anticipates resolving this issue during fiscal year 2021.	Open
18-09	The Commissioner of Fiscal Service should enhance journal voucher review procedures to include a review of relevant accounting criteria before recording transactions based on agency submission forms. Actions taken: Fiscal Service updated its procedures to include additional steps requiring review of relevant accounting criteria and the impact on the line items of the Schedules of the General Fund before approving and recording transactions based on agency submission forms.	Closed
Validating LFBWT balances		
18-10	The Commissioner of Fiscal Service should design and implement procedures to periodically review all active Treasury accounts to determine whether they are valid and the related General Fund account balances are consistent with federal agency records. Actions taken: Fiscal Service developed and implemented review procedures to identify Treasury accounts that are no longer valid and then to work with the federal agencies to determine if actions need to be taken on the accounts. In addition, Fiscal Service established procedures to reconcile General Fund account balances with reported federal agency account balances.	Closed

**Appendix II: Status of GAO's Prior
Recommendations**

Number	Recommendation and analysis of corrective actions taken	Status
18-11	The Commissioner of Fiscal Service should enhance current procedures for reviewing negative balances to include Treasury accounts with indefinite periods of availability. Actions taken: Fiscal Service established procedures to include a review of negative balances for all Treasury accounts, including those with indefinite periods of availability.	Closed
Recording prior period transactions in the General Fund general ledger		
18-12	The Commissioner of Fiscal Service should enhance the standard operating procedures for prior period transactions to include a requirement for Fiscal Service to assess the materiality of transactions to determine the appropriateness of recording them as a current year adjustment or restating the prior period. Actions taken: Fiscal Service updated its procedures to include assessing the materiality of prior period transactions and the impact on the current year financial statements.	Closed

Legend:

BETC = Business Event Type Code

CARS = Central Accounting Reporting System

Fiscal Service = Bureau of the Fiscal Service

GTAS = Government-wide Treasury Account Symbol Adjusted Trial Balance System

LFBWT = Liability for Fund Balance with Treasury

TDO = Treasury Disbursing Office

Treasury = Department of the Treasury

USSGL = *United States Standard General Ledger*

Sources: Fiscal Service and GAO. | GAO-21-362

Note: Recommendations from GAO, *Financial Audit: Bureau of the Fiscal Service's Fiscal Year 2018 Schedules of the General Fund*, [GAO-19-185](#) (Washington, D.C.: May 15, 2019).

Appendix III: Comments from the Bureau of the Fiscal Service



DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

March 26, 2021

Ms. Anne Sit-Williams
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Sit-Williams:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) audit report on the Fiscal Year (FY) 2020 audit of the Schedules of the General Fund of the U.S. Government (Schedules), managed by the Bureau of the Fiscal Service (Fiscal Service).

While we concur with the results of the audit, it is important to note that the Fiscal Service maintains controls to confirm the integrity of the government's cash flow. This is validated each day when the daily cash position is balanced via the Treasury Cash Integrated Reconciliation Process. Federal entities also have daily access to their payment activities and can verify whether the General Fund's payment amounts match their own records, another control over the government's cash flow.

The draft audit report identifies three new audit recommendations concerning three other control deficiencies one of which is considered a limitation on the scope of your work in FY 2020. Fiscal Service agrees new processes and procedures will enhance these controls and will factor the corrective actions into the audit remediation plan.

Additionally, we are especially pleased with the closure of two outstanding scope limitations, as well as the successful closure of three other audit recommendations from the FY 2018 audit report. We appreciate GAO's perspective and look forward to the opportunity to implement corrective actions to overcome the barriers to auditability of the Schedules. The Fiscal Service has expended substantial effort since the last audit to improve controls, traceability, and documentation of the unique accounting scenarios and complex operational processes that comprise the Schedules.

GAO's dedication and effort throughout the audit of the Schedules is certainly appreciated. The majority of the audit was conducted remotely due to the Coronavirus Disease 2019 (COVID-19) Pandemic and we appreciate the adaptability of your team to conduct key meetings and walkthroughs. We look forward to sustaining a productive and successful relationship with your staff in the coming year, as we prepare for the FY 2022 audit.

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Miller".

Matthew J. Miller
Acting Commissioner

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