



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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Acting Comptroller General
of the United States

March 19, 2026

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

To operate as effectively and efficiently as possible, Congress, the administration, and federal managers must have ready access to reliable and complete financial and performance information—both for individual federal entities and for the federal government as a whole. Our report on the U.S. government’s consolidated financial statements for fiscal years 2025 and 2024 discusses progress that has been made, but also underscores that much work remains to improve federal financial management and that the federal government continues to face an unsustainable long-term fiscal path.¹

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

- Certain material weaknesses² in internal control over financial reporting and other limitations resulted in conditions that prevented us from expressing an opinion on the accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2025, and 2024.³ About 32 percent of the federal government’s reported total assets as of September 30, 2025, and approximately 19 percent of the federal government’s reported net cost for fiscal year

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

²A 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.

³The accrual-based consolidated financial statements comprise the (1) Statements of Net Cost, Statements of Operations and Changes in Net Position, Reconciliations of Net Operating Cost and Budget Deficit, and Statements of Changes in Cash Balance from Budget and Other Activities for the fiscal years ended September 30, 2025, and 2024; (2) Balance Sheets as of September 30, 2025, and 2024; and (3) related notes to these financial statements. Most revenues are recorded on a modified cash basis.

2025 relate to significant federal entities that received a disclaimer of opinion⁴ or qualified opinion⁵ on their fiscal year 2025 financial statements or whose fiscal year 2025 financial information was unaudited.⁶

- Significant uncertainties (discussed in Note 25, *Social Insurance*, to the consolidated financial statements), primarily related to the achievement of projected reductions in Medicare cost growth, prevented us from expressing an opinion on the sustainability financial statements, which consist of the 2025 and 2024 Statements of Long-Term Fiscal Projections;⁷ the 2025, 2024, 2023, 2022, and 2021 Statements of Social Insurance;⁸ and the 2025 and 2024 Statements of Changes in Social Insurance Amounts. About \$60.4 trillion, or 68 percent, of the reported total present value of future expenditures in excess of future revenue presented in the 2025 Statement of Social Insurance relates to the Medicare program reported in the Department of Health and Human Services' (HHS) 2025 Statement of Social Insurance, which received a disclaimer of opinion. A material weakness in internal control also prevented us from expressing an opinion on the 2025 and 2024 Statements of Long-Term Fiscal Projections.
- Material weaknesses resulted in ineffective internal control over financial reporting for fiscal year 2025.

⁴A disclaimer of opinion arises when the auditor is unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive and accordingly does not express an opinion on the financial statements.

⁵A qualified opinion arises when the auditor is able to express an opinion on the financial statements except for specific areas where the auditor was unable to obtain sufficient appropriate evidence, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

⁶These entities include the following: (1) The Department of Defense and Security Assistance Accounts received disclaimers of opinion on their fiscal years 2025 and 2024 financial statements. (2) The Small Business Administration received a disclaimer of opinion on its fiscal years 2025 and 2024 balance sheets, and its remaining statements were unaudited for both years. (3) The U.S. Agency for International Development, Department of Housing and Urban Development, and Environmental Protection Agency received disclaimers of opinion on their fiscal year 2025 financial statements and unmodified opinions on their fiscal year 2024 financial statements. (4) The Department of Education received an unmodified opinion on its fiscal year 2025 balance sheet and related notes and a disclaimer of opinion on its fiscal year 2024 balance sheet, and its remaining statements were unaudited for both years. (5) The Department of Agriculture and Department of Energy received qualified opinions on their fiscal year 2025 and 2024 financial statements. (6) The Railroad Retirement Board received an unmodified opinion on its fiscal year 2025 financial statements and a disclaimer of opinion on its fiscal years 2024 financial statements. (7) The fiscal year 2025 Schedules of the General Fund were not audited to allow the Department of the Treasury time to continue to implement a remediation plan to address the issues we reported as part of our disclaimer of opinion on the fiscal year 2024 Schedules of the General Fund. (8) The Department of Labor had not issued its fiscal year 2025 financial statements by the date of this report and received a qualified opinion on its fiscal year 2024 financial statements.

⁷The 2025 and 2024 Statements of Long-Term Fiscal Projections present, for all the activities of the federal government, the present value of projected receipts and noninterest spending under current policy without change, the relationship of these amounts to projected GDP, and changes in the present value of projected receipts and noninterest spending from the prior year. These statements also present the fiscal gap, which is the combination of receipt increases and noninterest spending reductions necessary to hold debt held by the public as a share of GDP at the end of the 75-year projection period to its value at the beginning of the period. The valuation date for the Statements of Long-Term Fiscal Projections is September 30.

⁸The Statements of Social Insurance present the present value of revenue and expenditures for social benefit programs, primarily Social Security and Medicare. These statements are presented for the current year and each of the 4 preceding years as required by U.S. generally accepted accounting principles. For the Statements of Social Insurance, the valuation date is January 1 for the Social Security and Medicare programs, October 1 for the Railroad Retirement program, and September 30 for the Black Lung program.

- Material weaknesses and other scope limitations, discussed above, limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2025.

Progress in Federal Financial Management

Overall, the federal government has made significant strides in improving financial management since key federal financial management reforms were enacted in the 1990s. In fiscal year 1996, only six of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies received unmodified (“clean”) opinions on their financial statements. Significant improvements in financial management led to over 20 CFO Act agencies receiving clean opinions for fiscal years 2011 through 2020. However, several federal entities have experienced financial management challenges in recent years. For fiscal year 2025, 15 of the 24 CFO Act agencies received clean opinions on their financial statements.⁹

Federal entities continue to address and resolve financial management challenges identified through financial statement audits. For example, in fiscal year 2025, the Department of Education received a clean opinion on its balance sheet, after 3 years of disclaimers of opinion. In addition, as discussed below, the Marine Corps, a component of the Department of Defense, received clean opinions on its fiscal years 2023, 2024, and 2025 financial statements, making it the first military service to receive a clean opinion.

Further, federal entities are in the process of designing and implementing corrective actions to remediate control deficiencies identified by financial statement audits. For example, the Department of Veterans Affairs addressed a material weakness in internal control related to veterans benefits, and the Small Business Administration (SBA) addressed three material weaknesses related to its financial reporting.

Financial audits offer a disciplined approach to strengthening financial management and building public trust. They promote the discipline needed—in part through recommendations—to improve the quality of day-to-day financial information, enabling managers to make better informed decisions and deal with the range of issues they face in overseeing taxpayer dollars.

While the U.S. government’s consolidated financial statements provide a high-level summary of the financial position, operating results, and financial condition of the federal government as a whole, the preparation and audit of individual federal entities’ financial statements provide substantial benefits, including

- useful and necessary insight into government operations, including the agencies’ financial conditions;
- increased federal agency accountability to Congress and citizens, including independent assurance about the reliability of reported financial information;
- greater confidence for stakeholders (e.g., governance officials, taxpayers, consumers, and regulated entities) that federal funds are being properly accounted for and assets are properly safeguarded;
- an assessment of the reliability and effectiveness of systems and related internal controls, including identifying control deficiencies that could lead to fraud, waste, or abuse;

⁹An unmodified (“clean”) audit opinion is expressed when the auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The 15 agencies include HHS, which received a clean opinion on all statements except the Statements of Social Insurance and the Statements of Changes in Social Insurance Amounts.

- a focus on information security;
- early warnings of financial management issues; and
- identification of noncompliance with laws and regulations, which can present challenges to agency operations.

The preparation and audit of financial statements have identified numerous government-wide deficiencies, leading to corrective actions to strengthen internal controls, processes, and systems. As discussed in our report, we continued to identify two material weaknesses in internal control related to the government's inability to

- determine the full extent to which improper payments, including fraud, occur and reasonably assure that appropriate actions are taken to reduce them and
- identify and resolve information system control deficiencies and manage information security risks on an ongoing basis.

Our work in these two areas has led to the enactment of various legislation aimed at reducing improper payments, improving cybersecurity, and protecting sensitive data.¹⁰ For example, in March 2022, GAO recommended that Congress permanently allow the Social Security Administration to share its full database of deceased individuals with the Department of the Treasury for use in the Do Not Pay system. In February 2026, the Ending Improper Payments to Deceased People Act was enacted, which included a provision to permanently allow sharing of the full database.

Financial statement audits have also led to operational improvements at individual agencies and entities, regardless of the resulting audit opinion. For example, Department of Defense (DOD) components reported identifying more than \$16 billion of previously untracked assets (including real property and equipment) and inventory.

Although the audit process has led to these and many more benefits, additional work remains to improve federal financial management.

Financial Management Challenges

Since the federal government began preparing consolidated financial statements, for fiscal year 1997, three major impediments have continued to prevent us from rendering an opinion on the federal government's accrual-based consolidated financial statements: (1) serious financial management problems at DOD, (2) the federal government's inability to adequately account for intragovernmental activity and balances between federal entities, and (3) weaknesses in the federal government's process for preparing the consolidated financial statements.

DOD continues to take positive steps to improve its financial management but faces long-standing issues. After many years of working toward financial statement audit readiness, DOD underwent full financial statement audits for fiscal years 2018 through 2025. These audits resulted in disclaimers of opinion, identified material weaknesses in internal control over financial reporting (26 in fiscal year 2025), and noted thousands of audit findings. One positive step was that the Marine Corps was able to

¹⁰Annual financial statement audits uncovered the significance of improper payments by federal agencies and prompted Congress to pass the Improper Payments Information Act of 2002 to strengthen controls over improper payments. The annual financial statement audits, which include assessments of information systems controls relevant to internal controls over financial reporting, surfaced widespread information security weaknesses. Congress passed the Federal Information Security Management Act of 2002 and subsequently updated its provisions with the Federal Information Security Modernization Act of 2014.

obtain clean opinions on its fiscal years 2023, 2024, and 2025 financial statements, making it the first military service to receive a clean opinion.¹¹

DOD leadership identified a number of financial management-related benefits from these department-wide audits, as well as operational improvements. Auditor findings and recommendations help DOD leaders identify issues with systems, prioritize improvements, drive efficiencies, and measure progress in modernizing and enhancing the department's financial management capabilities. According to DOD information, DOD's audit remediation efforts have resulted in financial benefits, including cost savings and avoidances, and improved ability to use funds. We also found that DOD's efforts have resulted in operational benefits, including improvements to financial systems and data, mitigation of cybersecurity risks, enhanced visibility over assets and inventory, and more efficient processes.¹²

Some examples of financial management-related benefits that DOD has identified include the following:

- DOD reported the modernization of certain financial and business systems, resulting in streamlined processes and strengthened internal controls that improved data quality. For example, to help standardize data, DOD developed Advana, a platform for advanced analytics, which DOD reported has helped reconcile fund balances with Treasury. In 2024, we estimated that Advana has helped DOD avoid making at least \$5.5 billion in potential improper payments. Also, the Marine Corps transitioned from its legacy financial management system to the Defense Agencies Initiative. A Marine Corps official stated that the transition has led to improvements in data accuracy due to the system providing consistent, compliant, and better-structured data, resulting in improved decision-making.
- The Department of the Navy decommissioned 11 legacy systems in fiscal year 2025.

DOD has acknowledged that achieving a clean audit opinion takes time. DOD and the military services have reinforced their commitment to achieving clean audit opinions by the end of 2028, as the National Defense Authorization Act for Fiscal Year 2024 mandates.¹³ DOD management prioritized certain critical areas for improvement for fiscal year 2025. These areas include improving fund balance with Treasury,¹⁴ strengthening the internal control environment, advancing the universe of transactions,¹⁵ optimizing asset valuations, integrating procure-to-pay processes to accelerate auditability, establishing Advana as a program of record, and prioritizing Advana support to financial statement audits.

Various efforts are also under way to address the other two major impediments to rendering an opinion on the accrual-based consolidated financial statements. In addition to Treasury's and the Office of

¹¹The Marine Corps obtained a clean opinion on its fiscal year 2023 financial statements based on substantial effort after completing a 2-year audit cycle and sustained a clean audit opinion in fiscal years 2024 and 2025.

¹²GAO, *Financial Management: DOD Has Identified Benefits of Financial Statement Audits and Could Expand Its Monitoring*, [GAO-24-106890](#) (Washington, D.C.: Sept. 24, 2024).

¹³The National Defense Authorization Act for Fiscal Year 2024, Pub. L. No. 118–31, div. A, title X, subtitle A, § 1005, 137 Stat. 136, 379 (2023), reprinted at 10 U.S.C. § 240a note, mandates that the Secretary of Defense ensure that DOD receives a clean audit opinion on the financial statements of the department by not later than December 31, 2028.

¹⁴Fund balance with Treasury is the amount in an entity's accounts with Treasury that is available for making expenditures and paying liabilities.

¹⁵Universe of transactions relates to transaction-level populations supporting material financial statement line items.

Management and Budget's (OMB) continued leadership, federal entities' strong and sustained commitment is critical to fully addressing these impediments.

Treasury made progress addressing the material weakness related to the government's inability to adequately account for intragovernmental activity and balances between federal entities. For example, since fiscal year 2023, Treasury has worked with entities to reduce intragovernmental differences each year to amounts Treasury determined were immaterial to the consolidated financial statements, although it is uncertain if this outcome can be sustained due to underlying deficiencies at federal entities.

Treasury also continued to provide information and assistance to significant federal entities to aid in resolving intragovernmental differences. This included Treasury providing quarterly scorecards highlighting differences needing the entities' attention,¹⁶ meeting with entities to encourage improved intragovernmental processes, and reinforcing the entities' responsibilities to resolve intragovernmental differences.

Treasury also made progress addressing the material weaknesses related to the federal government's process for preparing the consolidated financial statements. In recent years, Treasury's corrective actions included implementing new processes for preparing the consolidated financial statements, enhancing guidance for federal entity financial reporting, and implementing procedures to address certain previously identified internal control deficiencies.

Along with the three major impediments to a clean opinion on the federal government's accrual-based consolidated financial statements, an additional eight of the 24 CFO Act agencies have experienced financial management challenges in recent years.¹⁷ For example, SBA, which had substantial activity related to COVID-19 relief programs, was unable to obtain an opinion on its fiscal years 2020 through 2025 financial statements, after years of receiving clean opinions. In addition, the Department of Energy received a qualified opinion on its fiscal years 2024 and 2025 financial statements related to its inability to adequately support a material portion of its environmental liability balance.

The material weaknesses underlying the financial management challenges discussed above (1) affect the federal government's ability to reliably measure the full cost, as well as the financial and nonfinancial performance, of certain programs and activities; (2) impair the federal government's ability to adequately safeguard significant assets and properly record various transactions; (3) hamper the federal government's ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; and (4) hinder the federal government from having reliable, useful, and timely financial information to operate effectively and efficiently. We have made a number of recommendations to Treasury, DOD, Energy, and SBA to address these issues.¹⁸ These entities have

¹⁶Treasury produces a quarterly scorecard for each significant entity, as well as any other entity reporting significant intragovernmental balances or differences, that reports various aspects of each entity's intragovernmental differences with its trading partners, including the composition of the differences by trading partner and category. Pursuant to Treasury guidance, entities are expected to resolve, with their respective trading partners, the differences identified in their scorecards.

¹⁷These eight agencies are the Departments of Agriculture, Education, Energy, Housing and Urban Development, and Labor; Environmental Protection Agency; Small Business Administration; and U.S. Agency for International Development.

¹⁸GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, [GAO-25-107743](#) (Washington, D.C.: Feb. 25, 2025). Further, other auditors have made recommendations to DOD and SBA for improving their financial management.

taken or plan to take actions to address our recommendations. In addition, federal entity auditors have made recommendations to address underlying deficiencies at the individual entities.

In addition to the material weaknesses referred to above, we identified two other continuing material weaknesses related to information system controls and improper payments. For fiscal year 2025, 13 of the 24 agencies covered by the CFO Act reported material weaknesses or significant deficiencies in information system controls.

The fiscal year 2025 government-wide total of reported improper payment estimates was \$186 billion, but it did not include estimates for certain risk-susceptible programs. The specific programs and activities included in the government-wide total of reported improper payment estimates may change from year to year. While decreases in estimated improper payments were reported for several programs and activities, these were more than offset by increases for certain other programs and activities, resulting in a \$24 billion increase in reported improper payment estimates from fiscal year 2024.

For example, HHS reported an increase of about \$6.3 billion in estimated improper payments for Medicaid in fiscal year 2025. According to HHS, this increase was caused by errors in eligibility redeterminations and provider screening as states began unwinding from the COVID-19 public health emergency and phasing out enrollment flexibilities. HHS reported that missing or insufficient documentation accounts for the most significant portion of improper payments and occurs when states do not provide required program eligibility verifications.

Further, the federal government is unable to determine the full extent to which fraud occurs in federal programs. While all fraudulent payments are considered improper, not all improper payments are due to fraud.¹⁹ Also, the improper payment estimation process is not designed to detect or measure the amount of fraud that may exist. In April 2024, we estimated total direct annual financial losses to the government from fraud to be between \$233 billion and \$521 billion for fiscal years 2018 through 2022.²⁰ The range reflects the different risk environments during this period.²¹

Fraud estimates can provide a better understanding of the scope of the problem, help prioritize resources, and demonstrate a return on investment from fraud prevention and detection efforts. Accordingly, we made recommendations to OMB and Treasury to help improve the federal government's ability to estimate fraud. Specifically, we recommended that Treasury identify methods to expand government-wide fraud estimation, in consultation with OMB. We also recommended that OMB develop guidance on the collection of federal agency and office of inspector general data to support fraud estimation, in coordination with agencies and the Council of the Inspectors General on Integrity and Efficiency.²²

¹⁹GAO, *Improper Payments and Fraud: How They Are Related but Different*, [GAO-24-106608](#) (Washington, D.C.: Dec. 7, 2023).

²⁰GAO, *Fraud Risk Management: 2018-2022 Data Show Federal Government Loses an Estimated \$233 Billion to \$521 Billion Annually to Fraud, Based on Various Risk Environments*, [GAO-24-105833](#) (Washington, D.C.: Apr. 16, 2024).

²¹The different risk environments in 2018 through 2022 are associated with differences in fraud risk factors between those years. These risk factors include large volumes of payments being made, programs that are new to agencies, and limitations in the experience or training of those making eligibility determinations or payment certifications. For example, we have reported on the heightened fraud risk environment associated with some pandemic programs. The estimated losses represent about 3 to 7 percent of average federal obligations for fiscal years 2018 through 2022.

²²[GAO-24-105833](#).

Our audit report presents details concerning material weaknesses and their effect on the accrual-based consolidated financial statements, sustainability financial statements, and managing federal government operations. Until the problems outlined in our audit report are adequately addressed, they will continue to have adverse implications for the federal government and the American people.

Unsustainable Long-Term Fiscal Path

The 2025 Statement of Long-Term Fiscal Projections and related information in the *2025 Financial Report of the United States Government (2025 Financial Report)* show that, based on current revenue and spending policies, debt held by the public grows faster than the nation's gross domestic product (GDP) over the long-term, which means the federal government's long-term fiscal path is unsustainable.²³

GAO and the Congressional Budget Office (CBO) prepare long-term federal fiscal simulations, which also continue to show debt held by the public growing faster than GDP in the long term. GAO, CBO, and the *2025 Financial Report* all project that debt held by the public as a share of GDP (debt-to-GDP) will surpass its historical high (106 percent in 1946) by 2030.²⁴ Each of these projections uses somewhat different assumptions, but their overall conclusions are the same: based on current revenue and spending policies, the federal government's long-term fiscal path is unsustainable.

Health care and Social Security remain key drivers of federal noninterest spending in the projections because of the aging population and projected continued increases in health care costs. In addition, revenue is not projected to keep pace with spending, resulting in persistent annual budget deficits that drive the growth in debt.

As debt levels grow, the government typically must spend more on interest payments. Moreover, rising interest rates can increase the government's interest costs. In fiscal year 2025, net interest spending of \$970 billion (primarily interest on debt held by the public) was more than budget outlays for national defense and represents a 181 percent increase from net interest spending of \$345 billion in fiscal year 2020.²⁵ Based on the *2025 Financial Report* projections, net interest continues to grow to 37 percent of projected total spending in 2063 and 53 percent in 2100. GAO, CBO, and the *2025 Financial Report* project that the government's net interest spending will continue to grow relative to GDP and assume an increasingly larger share of federal spending.

The *2025 Financial Report* provides an estimate of the magnitude of policy changes needed to achieve a target debt-to-GDP ratio of 99 percent (which is the 2025 level) in 2100 (the fiscal gap).²⁶

Policymakers could close the fiscal gap, achieving the target ratio, through a combination of revenue increases and noninterest spending reductions. For example, based on the *2025 Financial Report* estimates, the fiscal gap could be closed by increasing projected revenue by 25.1 percent, reducing

²³Related information is reported in Note 24, *Long-Term Fiscal Projections*, to the consolidated financial statements and the unaudited Required Supplementary Information section of the *2025 Financial Report*.

²⁴For more information on GAO's simulations, which are as of February 2025, see GAO, *The Nation's Fiscal Health: Strategy Needed as Debt Levels Accelerate*, [GAO-25-107714](#) (Washington, D.C.: Feb. 5, 2025). For more information on CBO's simulations, which are as of February 2026, see Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (Washington, D.C.: Feb. 11, 2026).

²⁵GAO, *Confronting High Risks and Fiscal Challenges Is Crucial to a More Effective and Sustainable Government*, [GAO-26-108824](#) (Washington, D.C.: Dec. 16, 2025).

²⁶Fiscal gap can also be calculated using different time horizons and different target debt-to-GDP ratios. In GAO's annual fiscal health report, we project a fiscal gap for a 30-year period. See [GAO-25-107714](#) for the most recent analysis.

projected noninterest spending by 20.7 percent, or some combination of the two—each year over the 75-year projection period. The projections show that the longer policy changes are delayed, the more significant the magnitude of policy changes will need to be to achieve the debt-to-GDP target.

GAO issues an annual report on the fiscal health of the federal government, which provides more information on actions that Congress and the administration can consider to help address the federal government's unsustainable fiscal path.²⁷ Since 2017, we have suggested that Congress develop a strategy to place the federal government on a sustainable fiscal path. A strategy can provide a cohesive picture of the government's long-term goals and can serve as a mechanism for building consensus around these goals. We have identified several components of an effective fiscal strategy:

- Incorporate well-designed fiscal rules and targets to help manage debt, for example by controlling factors such as spending and revenue to meet a debt-to-GDP target.
- Assess the drivers of the primary deficit,²⁸ such as mandatory spending and revenue.
- Address financing gaps for Social Security Old Age and Survivor's Insurance and Medicare Hospital Insurance. Both of these programs are supported by trust funds that are projected to be depleted by 2033.²⁹ At that time, the programs would be financed only by annual revenue (primarily from payroll taxes), which will not be enough to support the full amount of promised benefits. For example, in 2033, Social Security's Old Age and Survivor's Insurance program revenue is projected to be sufficient to pay about 77 percent of scheduled retirement and survivor benefits. Medicare Part A (Hospital Insurance) program revenue is projected to be sufficient to pay about 89 percent of scheduled benefits in 2033. Changing the trajectory of the programs' finances will require additional revenue, cost reductions, or a combination of both. We developed a broad framework to help evaluate Social Security reform proposals.³⁰
- Replace the current debt limit—a statutory limit on the amount the government is authorized to borrow. The current debt limit process presents significant risks and does not control borrowing. We have suggested that Congress consider immediately removing the debt limit and adopting an approach that better links decisions about the debt with decisions about spending and revenue at the time those decisions are made.³¹ Fiscal rules and targets can be an alternative to the current statutory debt limit process.

²⁷GAO, *Featured Topic: America's Fiscal Future*, accessed March 11, 2026, <https://www.gao.gov/americas-fiscal-future>.

²⁸Primary deficit is the excess of non-interest spending over receipts for a fiscal year.

²⁹The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2025 Annual Report* (Washington, D.C.: June 18, 2025) and The Board of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *The 2025 Annual Report* (Washington, D.C.: June 18, 2025).

³⁰GAO, *Social Security Series Part 2: Criteria for Evaluating Reform Proposals*, [GAO-24-106778](https://www.gao.gov/products/GAO-24-106778) (Washington, D.C.: Nov. 30, 2023).

³¹GAO, *Debt Limit: Statutory Changes Could Avert the Risk of a Government Default and Its Potentially Severe Consequences*, [GAO-25-107089](https://www.gao.gov/products/GAO-25-107089) (Washington, D.C.: Dec. 11, 2024), and *Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches*, [GAO-15-476](https://www.gao.gov/products/GAO-15-476) (Washington, D.C.: July 9, 2015).

Other Risks to the Government's Financial Condition

There are other risks that could negatively affect the federal government's financial condition in the future, including the following:

- Disaster costs are expected to increase beyond current levels as extreme weather events become more frequent and intense. Sources of risk to the federal government's financial condition include additional losses on federal insurance programs (e.g., crop and flood insurance) and damage to federal property that might be affected. For example, as currently structured, the National Flood Insurance Program's premiums and dedicated resources are not sufficient to cover expected costs without borrowing from Treasury. As of September 30, 2025, the Federal Emergency Management Agency (FEMA), which administers the National Flood Insurance Program, owed about \$23 billion to Treasury for money borrowed to pay claims and other expenses. We have reported that FEMA is unlikely to collect enough premiums in the future to repay this debt.³²
- Federal support of the housing finance market remains significant even though the market has largely recovered since the 2007 to 2009 financial crisis. In 2008, the federal government placed the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) under conservatorship and entered into preferred stock purchase agreements with these government-sponsored enterprises to help ensure their financial stability. At the end of fiscal year 2025, the federal government reported about \$375 billion of investments in these government-sponsored enterprises, which includes a net cumulative valuation gain of about \$9 billion. The reported maximum remaining commitment to these entities, if needed, is about \$254 billion.
- The U.S. Postal Service (USPS) continues to face unsustainable financial challenges, including declining mail volumes, significant capital needs (such as vehicle replacement), large unfunded liabilities for retiree health and pension benefits, and an outdated business model that struggles to align costs with changing mail use.³³ Since the Postal Service Reform Act of 2022, USPS has reported net losses of about \$9 billion (fiscal year 2025) and about \$9.5 billion (fiscal year 2024). We have reported that USPS's business model is still not financially sustainable despite Congress and USPS taking significant actions in recent years to address its financial condition.³⁴

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

³²GAO, *Flood Insurance: FEMA's New Rate-Setting Methodology Improves Actuarial Soundness but Highlights Need for Broader Program Reform*, [GAO-23-105977](#) (Washington, D.C.: July 31, 2023).

³³[GAO-26-108824](#).

³⁴GAO, *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model*, [GAO-26-107336](#) (Washington, D.C.: Dec. 16, 2025).

Our audit report begins on page 208. Our guide, *Understanding the Financial Report of the United States Government*, is intended to help those who seek to obtain a better understanding of the financial report and is available on GAO's website at <https://www.gao.gov>.³⁵

If you have any questions about our audit report, please contact me on (202) 512-5500 or Robert F. Dacey, Chief Accountant, or Dawn B. Simpson, Director, Financial Management and Assurance, on (202) 512-3406.



Orice Williams Brown
Acting Comptroller General
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cc: The Majority Leader of the Senate
The Minority Leader of the Senate
The Majority Leader of the House of Representatives
The Minority Leader of the House of Representatives

³⁵GAO, *Understanding the Financial Report of the United States Government*, [GAO-18-239SP](#) (Washington, D.C.: Feb. 2018).