Best Practices in Federal Financial Reporting

Wednesday, August 12, 2026

AGA™
Montgomery/
Prince George's
County Chapter

Chapter President

Carol-Ann Boothe, CGFM
Montgomery/Prince George’s County (MPGC) Chapter President

president@marylandaga.com
www.marylandaga.com

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Administrative Matters

- All attendees will remain muted during the session.
- Please submit questions for the speakers in the Chat and Q&A section of the platform. Questions will be addressed during the Q&A session at the end of the presentation.
- For technical assistance, please email cavboothe@outlook.com or toyinoojumu@gmail.com
- To meet NASBA requirements, pop up questions will be used to monitor participation and eligibility for 1.5 CPE credits.

  Questions will not be announced, so please monitor your screen throughout the session.

  <u>You must respond to all pop-up questions to receive CPE Credit.</u>
- At the end of the session, we will display a QR code for the evaluation. Your feedback is greatly appreciated.
- CPE certificates will be emailed to eligible participants within two weeks following the session.

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Why Join AGA MPGC?

Be part of an award-winning professional community

1. **Learn & Earn CPE**
   Timely programs, workshops and webinars

2. **Connect & Grow**
   Build your network across government and industry

3. **Get Involved & Lead**
   Join a committee, volunteer and develop leadership skills

4. **Make an Impact**
   Help shape Chapter programs, outreach and community initiatives

2026 PLATINUM CHAPTER

YOUR MEMBERSHIP. YOUR CHAPTER. GET INVOLVED!

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Become a Member and Get Involved

- Free Student and Professor Memberships
    - AGA offers a **FREE** student e-membership for full-time students. If you know of college students encourage them to apply!
    - Contact our Chapter President or Membership Committee to learn how professors can obtain **FREE** membership if they will be first-time AGA Members.
- Discounted Young Professional Memberships
- Interested in Becoming a Member?
    - Contact Tanequa McQueen for more information. tanequamcqueen@gmail.com

Thank you, existing members, for your continued support of the Montgomery/Prince George's County Chapter!

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Certified Government Financial Manager (CGFM) Study Group

Are you thinking about becoming a CGFM?

Join our study group to prepare for the CGFM examination!

- Study Group Benefits
- MPGC AGA Members obtain:
  - access to the updated content outlines.
  - **FREE** access to the updated online CGFM study guides.
  - Small group sessions.
  - For more information, email us at kathleen.sobieralski@umgc.edu

Upcoming CGFM Webinars and Courses

- **Expand Your Career Options with AGA and CGFM (virtual)**
  - Date: August 26, 2026; 2pm – 2:30pm
- **Strategies for Success for CGFM Candidates (virtual)**
  - Date: August 27, 2026; 2:00 – 2:30pm
- **CGFM Course 2: Governmental Accounting, Financial Reporting and Budgeting (virtual)**
  - Date: September 15-18, 2026
  - 21 CPE Hours!
- **CGFM Course 3: Governmental Financial Management and Control (virtual)**
  - Date: October 6-8, 2026
  - 16 CPE Hours!

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CGFMs: MPG Chapter

Tamara Abramowitz	Kathleen Conley	James Gregg	Hubert Kayo	Lauren Peck	Fikirte Tiruneh
Adebayo Adewuyi	Pamela Crockett	Lisa Gutierrez	Wendy Kessell	Pauline Petitclerc	Willadene Tolmachoff
Olayinka Afolabi	Van Dao-Khanh Le	Scott Hahn	Andrew Lewis	Jane Pierouchakos	Jillian Tufano
Fatimoh Ajadi	Lindra David	Todd Handy	Jeffrey Long	Roger Pisha	Christine Turner
Michael Akindutire	Kelli Davis	Jeffries Harley	Rita Mack Woods	Sudammi Ranasinghe	Devin Ure
Josiane Alagbe	Jonathan DeBoer	Karen Hawkins	Jillian Manning	Gelitza Reyes	Felina Vaughn McCrary
Jason Allmond	Michael DeMinico	Jason Hempstead	Diana McCalpin	Eric Rivera	Adeola Waleola
Richard Amrhein	Rachel Denchfield	Bruce Henshel	Vanessa McCollum	Jennifer Roberts	Jaclin Warner Wiggins
Christopher Andall	Nutan Deodhar	Tanya Hickman	Scott McNulty	Gloria Marie Roye	Mathew Wenzel
Chukwuma Apugo	Sharla Domogauer	John Hooley	Marcus Melton	Mark Schaefer	Charles Wert
Ashenafi Arega	Diane Dudley	Calvin Howell	Michelle Merritt	Katrina Scott	Kimberly Williams
Kofi Benefo	Joanna Dyer	Jeffrey Hubler	LeeAnn Murphy	Anu Sharma	Sherrianne Wilson
Robert Bixler	Gregory Eichelberger	Janet Isman	Isaac Nyarko	Ronald Shorts	Shou-Hsin Wu
Carol-Ann Boothe	Dawn Evans	Asha Jackson	John O´Brien	Joye Sistrunk	Vida Yazdi
Natalie Brown	Olufemi Fakinlede	Freda Jackson	LaToya Oates	Felix Sithiphone	Robert Young
Derrick Campbell	Renita Fergerson	Jarvis Jackson	Oluwatoyin Ojumu	Jedediah Stancato	Xiaojing Zhang
Michelle Carter	Moreen Forde	Stephanie Jadotte	Ernest Opoku	Eric Stubbs	Yanping Zhu
Jaideep Chakravorty	Nathanael Francis	Farryn Jones	Gabriel Oredugba	Anthony Sung	
Blair Clarke	Brian Frey	Terese Kalloo	Franklin Pace	Shayna Taitt-Thompson	
Charles Colbert	Tiffany Gaither	Randi Kaplan	Chirag Patel	Armand Tchokokam	

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sponsorship@marylandaga.com

Upcoming Community Service Events

- **Community Service Events**
  - **Light the Night Fundraiser Walk**
    - Date: Friday, September 25, 2026, 5:00 PM
    - Venue: Glen Echo Park, 7300 MacArthur Blvd, Glen Echo MD

- **Networking & Member Appreciation**
  - **Multi-Chapter Picnic**
    - Date: Saturday, September 26, 2026, 5:00 PM
    - Venue: Barcroft Park – Picnic Shelter, 4200 S. Four-Mile Run Drive, Arlington VA

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Upcoming AGA National CPE Events

- **Communications Webinar (Virtual)**
  - Date: September 9, 2026; 2pm – 3:50pm
  - 2 CPE Hours!
- **Internal Control and Fraud Prevention, 14 CPEs! (In person)**
  - Date: September 22-23, 2026
  - 14 CPE Hours!
  - Venue: Ronald Reagan Building and ITC 1300 Pennsylvania Ave. N.W. Washington, DC 20004
- **Uniform Guidance and Grant Accounting Webinar (Virtual)**
  - Date: October 14, 2026; 2pm – 3:50pm
  - 2 CPE Hours!

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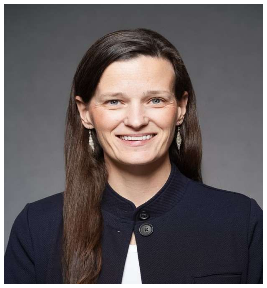
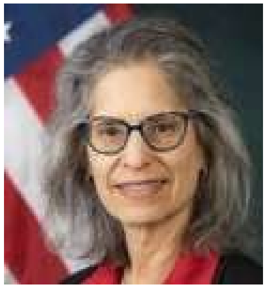
Presenters

Diane Dudley, CGFM, CPA (Moderator)
FASAB Board Member, CEAR Lead Reviewer

Andrew Lewis, CGFM, CPA, PMP
KPMG Partner, Former CEAR Board Chair



Kerrey Olden, CGFM, CPA
KPMG Partner, CEAR Board Member



Robin Gilliam, CPA, PMP
Assistant Director, FASAB

Migdali Delgado,
Program Analyst, Office of the Chief Financial Officer, Architect of the Capitol

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Today’s Agenda

11:35 a.m.	CEAR Background – Diane Dudley
11:45 a.m.	FY 2025 CEAR Best Practice Awards
12:00 p.m.	Tips from an Award-Winning Agency – Migdali Delgado, Program Analyst, Office of the Chief Financial Officer, Architect of the Capitol
12:15 p.m.	Frequent Issue Areas – Andrew Lewis
12:25 p.m.	Highlights - FASAB Staff Implementation Guide on MD&A – Robin Gilliam
12:40 p.m.	Other Tips for Enhancing the Quality of AFRs/PARs – Kerrey Olden
12:50 p.m.	CEAR Program Benefits and Opportunities – Diane Dudley
12:55 p.m.	Questions
1:00 p.m.	Closing Remarks and CPE Logistics – Carol Boothe

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Certificate of Excellence in Accountability Reporting (CEAR) Program Background

- Established by AGA in 1996, in conjunction with OMB and the CFO Council to further performance and accountability reporting
- CEAR Guidelines (updated annually) – combination of required elements and best practices
- AFRs/PARs are reviewed by an independent team of 5 reviewers (volunteers)
  - Identify recommendations for improving their presentation and usefulness
  - Highlight commendable practices
- Publicly recognizes the entities and their employees who prepare these reports
- Trains preparers and reviewers and provides best practices

What Report Elements are Reviewed by CEAR?

- Overall Organization and Presentation
- Agency Head Message
- Management's Discussion and Analysis
- Financial Section (CFO letter, financial statements, required supplementary info)
- Other Information (IG summary of management and performance challenges, summary tables of material weaknesses in internal control, payment integrity, civil monetary penalty information, expired federal grants and cooperative agreements, and other information)

What Makes a Good Report?

- Effective integration of financial and nonfinancial (performance) information – provide insights to the reader
- Complete yet concise – with minimal duplication
- Well organized and written in a professional, understandable manner (visually appealing and well edited)
- Adherence to all technical requirements
- MD&A "tells the agency's story"

  - insights about the organization and mission

  - information about causes of changes and trends in the agency's financial position and condition

  - highlights of key performance results (and associated costs)

  - discussion of opportunities and risks

  - discussion of systems, controls, and legal compliance

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FY 2025 CEAR Results

- Overview of Prior Year Results – access at https://www.agacgfm.org/get-involved/awards-scholarships-recognition/cear-program/cear-awardees/
- Special Awards/Best-in-Class Awards

FY 2025 Best Practice Award Winners

1. Outstanding Leadership Message – U.S. Patent and Trademark Office

- Informative, comprehensive, candid, and performance-focused
- Presents agency's accomplishments and incorporates challenges and corrective actions
- Includes cost-savings achievements

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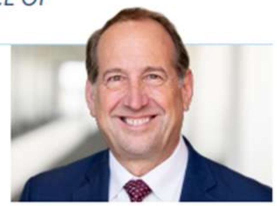
U.S. Patent and Trademark Office

MESSAGE FROM THE OFFICE OF THE UNDER SECRETARY



***John A. Squires**, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office*

Fiscal year (FY) 2025 represented a clear break from previous years at the United States Patent and Trademark Office (USPTO). A new presidential administration swept into office, generating a leadership approach focused on the core competencies of the USPTO.

The agency experienced other changes in FY 2025, notably, the issue of managing the record high backlog of patent applications.

Unexamined patent application inventory had increased by almost 262,000 over the previous four years, from 576,103 in 2020 to 837,928 in January 2025.

Patent application pendency had also increased. In particular, first action pendency (i.e., the time it takes for a patent application to receive a first office action) ballooned by 39 percent to 20.5 months by January 2025 from 14.8 months at the end of 2020.

The new leadership team immediately proceeded to address these challenges with a variety of initiatives, incentives, and hard work.

By reducing the number of non-examination work details of examiners, reducing non-examination time activities, implementing programs to accommodate reassignments and returns to the examination corps, as well as creating bonus program incentives to reward additional examination time and production, the management team was able to reverse the growth of the backlog in patents. By the end of FY 2025, the patent application inventory had decreased by 49,699 to 788,229 (5.9%).

As to trademarks, a similar effort to refocus the examining attorney staff reduced the inventory of unexamined applications by 88,869 to 346,378 (a 20.4% reduction) for FY 2025.

Simultaneously, several transformational initiatives were implemented to modernize patent examination, with a variety of new models undergoing trial testing utilizing teams combined with artificial intelligence (AI) and other advanced information technology (IT) tools.

Cost-saving measures were a significant objective for FY 2025. Travel expenditures for FY 2025 were reduced by 72% over FY 2024 figures, with a total average monthly savings of $520,000. The number of travel days for our staff decreased by 75%, resulting in an average of 1,194 additional workdays per month to devote to mission-critical needs that had otherwise been lost.

Additionally, the USPTO has saved up to $315 million in costs through terminating contracts that were not critical to the agency's mission, descoping and negotiating discounts for current contracts, letting contracts with unexercised option periods expire, and reducing blanket purchase agreement ceiling values. The USPTO's financial system was further strengthened to enhance management and oversight of acquisitions, invoicing, and fee payments.

The new leadership team also increased USPTO operational transparency. Stakeholders can currently monitor key operational data. Patents and Trademarks metrics are regularly posted to our public website coupled with augmented datasets that identify trends for the past 10 years. We also successfully launched USPTO Hour, a weekly webinar series that features USPTO experts presenting in-depth analyses of updates and other operational subjects. These live broadcasts have been extremely popular, with attendance in the thousands.

The USPTO also finished FY 2025 in a strong financial position. Revenues increased from the previous year in both the Patents and Trademarks business units. Total revenue increased from $4.12 billion in FY 2024 to $4.42 billion in FY 2025.

As in years past, given the best-in-class controls and accounting methods we have in place, we are confident that the financial data used in this report are complete, reliable, accurate, and consistent.

For the 33rd consecutive year, our agency has earned an unmodified (i.e., clean) audit opinion on its annual financial statements, providing the public and our stakeholders with an independent assurance that the agency's financial information is presented fairly in all respects, and that it follows generally accepted accounting principles. The independent auditors reported no material weakness, significant deficiencies, or any instances of noncompliance with laws or regulations during the FY 2025 reporting period.

***Coke Morgan Stewart**, Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office*

Moreover, the agency's financial reserves have also been strengthened, and they continue to provide stability to the entire intellectual property (IP) system. Through the use of these robust reserves, the USPTO remained open and continued full operations despite this year's government shutdown.

The number of patent and trademark applications filed increased at a steady rate, which is generally a solid barometer that the U.S. economy will continue to generate growth and prosperity for the coming years. The agency also hired new classes of patent examiners and trademark examining attorneys to help alleviate the unprecedented backlog of applications inherited from previous years.

Overall, FY 2025 was a year of dramatic change, and we are wholly indebted to our world-class employees for their perseverance, as well as their dedication to the agency, to our mission, and to each other. They are the best in the world at what they do, and they once again proved it.

John A. Squires
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office
December 5, 2025

Coke Morgan Stewart
Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office
December 5, 2025

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FY 2025 Best Practice Award Winners, cont.

2. Candid and Insightful MD&A – Defense Nuclear Facility Safety Board

- Provides useful management insights on performance
- Candid discussion of management challenges
- Meaningful presentation of key financial trends

Defense Nuclear Facility Safety Board – slide 1

Performance Goals, Objectives, and Results

Electrorefining glovebox in the 9215 Complex.

The DNFSB's Strategic Plan for Fiscal Years (FY) 2022–2026 sets forth a broad vision of how the DNFSB will fulfill its statutory mission to "provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of the Secretary as operator and regulator of the defense nuclear facilities of the Department of Energy (DOE), in providing adequate protection of public health and safety at such defense nuclear facilities, including with respect to the health and safety of employees and contractors at such facilities." The FY 2025 Annual Performance Plan (APP) is aligned with the strategic goals and objectives defined in the DNFSB's Strategic Plan for FY 2022–2026. The APP performance goals are shown below along with a summary of the agency performance for the fiscal year ended September 30, 2025. A detailed breakdown of the DNFSB's performance results can be found in the DNFSB's Annual Performance Report (APR) which details the DNFSB strategic goals, performance measures, and results. The APR for FY 2025 is expected to be posted on the DNFSB's website by the middle of FY 2026 and a copy may be found at https://www.dnfsb.gov/about/plans-budgets-performance.

Performance Measure Summary

Overall, 31 performance measures were established for FY 2025. Of the 31 performance measures, 28 were fully "met," two were "partially met," and zero performance measures were "not met." An additional performance measure, specifically 3.1.3.1, became inapplicable during the performance year due to organizational realignment and workforce reshaping. Therefore, in FY 2025, the Board successfully achieved the performance measures necessary to accomplish its nuclear safety mission. A summary of each strategic goal and the DNFSB's FY 2025 respective performance is as follows:

Strategic Goals, Objectives, and Performance Results

STRATEGIC GOAL 1: Provide proactive and independent safety oversight of the defense nuclear complex.

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FY 2025
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
AGENCY FINANCIAL REPORT

Strategic Objective 1.1: Complete timely, high-quality safety reviews that identify and analyze safety issues and best practices, and search for similar challenges complex wide.

Performance Goal 1.1.1: Prioritize and execute reviews to maximize impact on safety.

Performance Goal 1.1.2: Conduct cross-cutting as well as site-specific reviews, identifying safety concerns and best practices in work products.

Preparation of a plastic suit to be used in the H-Area New Manufacturing partial outage.

During the annual work planning process, the DNFSB identified strategic topic areas for the technical staff to consider when proposing new reviews for FY 2025. These strategic topic areas included the following: nuclear safety research and development; aging infrastructure; organizational culture; contractor assurance systems; conduct of operations; implementation of contractor and federal readiness activities; emergency preparedness and response; DOE implementation plan commitments; weapon and special nuclear material staging/storage at the Pantex Site; subjects not recently reviewed; and safety aspects of cybersecurity. As a result of the work planning process, the DNFSB identified and proposed 14 new reviews that aligned with a strategic topic area. Of these new reviews, the DNFSB initiated 10 in FY 2025.

During FY 2025, the DNFSB completed 12 safety reviews focused on DOE Environmental Management (DOE-EM) defense nuclear facilities, 10 safety reviews focused on National Nuclear Security Administration (NNSA) defense nuclear facilities, 5 safety reviews that have broad applicability across the DOE defense nuclear complex, 3 DOE directive and standard reviews, and 5 safety reviews focused on defense nuclear projects. The full list of these safety reviews is documented in internal and external staff reports, Board correspondence, and group weekly reports. In addition, all emerging issues that require the addition of a staff review resulting in a work plan adjustment were documented in the periodic work plan update briefings to the Board and generally included in group weekly reports. Finally, 95% of products (e.g., Recommendations, staff reports, Board letters) that represent completion of a review were completed within specified timeliness metrics.

During FY 2025, the Board did not conduct any public hearings or public meetings. The full Board conducted five site visits at Savannah River Site, Los Alamos National Laboratory, Y-12 National Security Complex/Oak Ridge National Laboratory, Nevada National Security Sites, and Sandia National Laboratories.

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Defense Nuclear Facility Safety Board – slide 2

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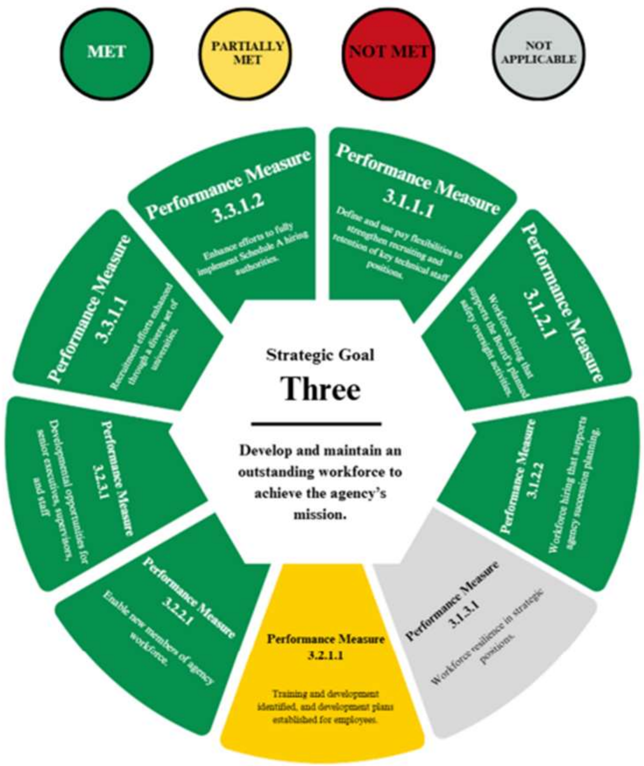

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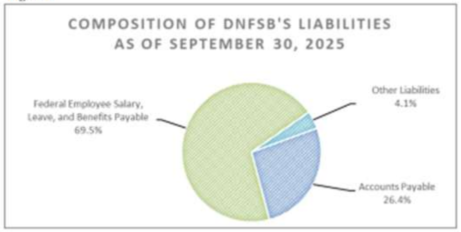
AGENCY FINANCIAL REPORT

Composition of Liabilities

Liabilities are amounts owed by the DNFSB for goods and services received, but not yet paid as of September 30, 2025; specifically, monies owed to the public and other federal agencies. As of September 30, 2025, the Balance Sheet reflects total liabilities of $4.1 million. *Federal Employee Salary, Leave, and Benefits Payable* of $2.9 million, represents 69.5 percent of the DNFSB's liabilities and is comprised primarily of accrued payroll, leave, benefit accruals and unfunded leave liability. The remaining liabilities are *Accounts Payable* (26.4 percent), and *Other Liabilities* (4.1 percent).

Figure 2



Trends in Liabilities

As shown in Figure 3 below, the DNFSB liabilities decreased by $0.2 million, or 3.4 percent, from $4.3 million as of September 30, 2024, to $4.1 million as of September 30, 2025. The net decrease is primarily due to lower Accounts Payable at the end of FY 2025 as compared to the end of FY 2024. Total Accounts Payable were lower by $0.4 million.

Figure 3

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FY 2025 Best Practice Award Winners, cont.

3. Excellent Discussion of How the Agency Serves Citizens, and Opportunities for Better Use of its Resources – Social Security Administration

- The Overview highlights the agency's mission and programs, and explains how it benefits citizens
- Uses call-out boxes to tell its story, connect with the public, and inform readers on how to use its resources to improve the customer experience

Social Security Administration – slide 1

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

Mission

For 90 years, the Social Security Administration (SSA) has helped secure the financial future for millions and safeguarded the identities of our growing clientele—now over 330 million—making us the largest service provider for the American public. We serve every member of the American public at some point in their lives: from birth, when registering for a Social Security number; to their first job, where we verify Social Security numbers and track reported earnings; to providing income support through disability and survivor benefits if the unexpected happens; and helping individuals as they plan for retirement.

Programs

Few government agencies affect the lives of as many people as we do. In accordance with law and regulations, we administer three programs under the *Social Security Act*:

- **Old-Age and Survivors Insurance:** Established in 1935, the Old-Age and Survivors Insurance (OASI) program provides retirement and survivors benefits to qualified workers and their family members. In fiscal year (FY) 2025, we paid OASI benefits to an average of approximately 61 million beneficiaries each month and incurred over $1,423 billion in benefit payment expenses[1] to OASI beneficiaries through the fiscal year. Learn more about retirement benefits on our website at SSA.gov/retirement and about survivors benefits at SSA.gov/survivors.
- **Disability Insurance:** Established in 1956, the Disability Insurance (DI) program provides benefits for workers who become disabled and their families. In FY 2025, we paid DI benefits to an average of over 8 million beneficiaries each month and incurred about $156 billion in benefit payment expenses[1] to DI beneficiaries through the fiscal year. Learn more about DI benefits on our website at SSA.gov/disability.
- **Supplemental Security Income:** Established in 1972, the Supplemental Security Income (SSI) program provides financial support to aged, blind, and disabled adults and children who have limited income and resources. In FY 2025, we paid SSI benefits to a monthly average of 7.4 million recipients (approximately 2.6 million of whom concurrently receive OASI or DI benefits) and incurred about $60 billion in SSI Federal and State supplementary benefit payment expenses[1] through the fiscal year. Learn more about SSI benefits on our website at SSA.gov/ssi.

We also support national programs administered by other Federal and State agencies, as required by law, such as Medicare, Medicaid, the Supplemental Nutrition Assistance Program, State Children's Health Insurance Program, E-Verify, Federal Benefits for Veterans, as well as

[1] Benefit payment expenses consist of benefits paid and the change in benefits accrued during FY 2025.

programs associated with the *Employee Retirement Income Security Act of 1974*, *Coal Industry Retiree Health Benefit Act*, and *Help America Vote Act of 2002*.

How Social Security Benefited America in Fiscal Year 2025

Our programs and services are vital to the public, and the scope of our work is enormous.

- We paid a combined total of over $1.6 trillion in Social Security and SSI benefits.
- This year, about 85 percent of persons aged 65 or older received Social Security and more than 90 percent of those aged 75 and older.
- On average each month, about one million blind or disabled children under age 18 received SSI benefits.

How We Served America in Fiscal Year 2025

- Processed over 528.1 million online transactions.
- Mailed nearly 300 million notices.
- Added 9.3 million new *my* Social Security accounts for a total of 97.3 million accounts. A new account is one where the customer is credentialed and has at least one *my* Social Security log-in.
- Provided *Social Security Statements* (*Statement*) to beneficiaries online via *my* Social Security nearly 50 million times, and by mail with approximately 10 million paper *Statements*.
- Eliminated frequent service downtimes, granting Americans 24/7 access to their personal *my* Social Security account.
- Processed over 17 million applications for new and replacement Social Security Number cards, in office and online through the Internet Social Security Number Replacement Card.
- Posted approximately 295 million annual earnings items to workers' records submitted by both employers and self-employed individuals.
- Reduced in-office wait times by 27 percent to 22 minutes.
- Ensured customers with an appointment only waited around 6 minutes on average to receive assistance.
- Transitioned all field offices to our agency's single telephone platform for consistency and efficiency of service, resulting in 20 percent of all calls to the field offices being handled instantaneously through automation, which gives our teams more time to focus on customers needing help in-person.

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Social Security Administration – slide 2

Organization

Serving the American public requires a vast network of facilities, technology, and skilled staff. Our Commissioner leads approximately 52,000 Federal employees and 13,700 State employees who serve our customers through a network of about 1,500 offices across the country and around the world. We administer our programs and services online, by phone, by video, and in person in our offices. Our customers can access our online services, such as applying for retirement, disability, and Medicare benefits; checking the status of an application or appeal; or requesting a replacement Social Security card.

The 13,700 State employees at disability determination services (DDS) make disability determinations for initial claims, reconsiderations, CDRs, and CDR appeals. We continue to persevere and improve DDS performance despite challenges with hiring and retaining staff. At the Federal level, our Federal Disability Determination Division has jurisdiction in handling disability claims filed by career railroad (RR) employees and certain dependent RR survivor disability annuitants.

Administrative law judges in our hearing offices and administrative appeals judges in our Appeals Council decide appealed cases.

Our processing centers handle the most complex benefit payment decisions, in addition to issuing benefit payments after appeals decisions, determining and collecting debt, correcting records, and performing program integrity work.

Our teleservice centers answer a broad range of Social Security and Medicare questions, schedule appointments for our field offices, provide status updates on current claims or appeals, and ensure the accuracy of our records.

For more information about our organization and its functions, visit our organizational structure webpage.

How Can We Help?

Did you know that Social Security provides financial protection for our nation's people, supporting Americans throughout all of life's journeys. In FY 2025, the agency provided service to more than 330 million Americans. For help finding your local Social Security office, visit our website at www.SSA.gov to use the office locator and to learn more about the online services we offer.

FY 2025 Operating Expenses by Strategic Focus Area
(Dollars in Millions)

Strategic Focus Area	Operating Expenses
Improve Customer Service	$12,255
Fight Fraud and Waste	$2,499
Optimize and Empower the Workforce	$580

Priorities: In support of the GPRMA, we established three Agency Priority Goals (APG), which are 24-month goals reflecting our top priorities. We routinely review our progress and take actions to improve our outcomes, promote innovation, and deliver favorable results.

For FYs 2024–2025, our APGs were:

1. Improve Initial Disability Claims.
2. Improve the National 800 Number Service.
3. Improve the Supplemental Security Income Program.

These near-term goals improve outcomes, setting the stage for improved customer experience and efficiency. We set ambitious targets to improve service for each of these APGs. We are adjusting procedures, policies, and maximizing the resources we have, to improve services.

Please visit Performance.gov for more information on our APG goals, progress, results, and how we focus leadership priorities to drive progress and change.

Remember! You Can Access Our Services Online

Our online services allow you to request a replacement Social Security card (in most States), print a benefit verification letter, and more—from anywhere and from any of your devices!

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FY 2025 Best Practice Award Winners, cont.

4. Outstanding Discussion of the Entity's ERM Program – Internal Revenue Service

- Top enterprise risks for the upcoming year were integrated into the MD&A (insightful/compelling), including potential impact and mitigation strategies

Internal Revenue Service – slide 1

ENTERPRISE RISK MANAGEMENT

In compliance with the OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, the IRS conducts an annual Enterprise Risk Assessment and develops an Enterprise Risk Profile. The Enterprise Risk Profile articulates the IRS's top risks and opportunities to achieve its goals and objectives. The assessment considered internal and external factors that may affect the achievement of IRS's goals.

Over the next 12 months the IRS will operate in an environment shaped by both risks and opportunities. The Enterprise Risk Profile highlights risk areas such as implementation of legislation, modernization, taxpayer service, and enforcement. These risks are affected by critical risk drivers including the budget, aging technology infrastructure, ongoing restructuring, workload, and workforce.

The IRS continues to monitor and manage these risks as part of its ongoing efforts to ensure a successful 2026 filing season. The IRS is using innovation and technology to improve taxpayer service, maintain taxpayer privacy, enhance operations and enforcement, modernize its workforce, protect data, and safeguard revenue. The IRS is committed to mitigating the associated risks while achieving its core mission of tax administration.

The top IRS Enterprise Risks over the next 12 months are:

Enforcement Capabilities: The risk that ineffective enforcement activities (technology, processes, and people) may impact compliance, erode trust and confidence in the tax administration system, and hinder the IRS's ability to meet its mission.

Taxpayer Service: The risk that the inability to provide taxpayer services efficiently and effectively may result in taxpayers' inability to meet their tax obligations, a greater need for enforcement activities post-filing, loss of revenue, and erosion of trust and confidence in the IRS.

Workforce Readiness: The risk that IRS may not have a workforce equipped with the expertise, experience, and resources to meet evolving needs, which may negatively impact service to taxpayers, business operations, revenue collection, and efficient delivery of the IRS mission.

Implementation of Legislation and Other Requirements: The risk that failure to timely and effectively implement complex legislation and non-statutory requirements may adversely impact the IRS's ability to fulfill core mission, enhance service delivery, and more effectively enforce the tax law.

Fraudulent Scams and Schemes: The risk that bad actors perpetrate fraudulent scams and schemes to exploit tax laws, IRS procedures, technology, and other critical items, which may result in loss of revenue, erosion of confidence and trust in the IRS, and undue burden on taxpayers.

Information Technology Modernization: The risk that failure to timely modernize information technology systems, including adopting artificial intelligence, could inhibit efficiency and effectiveness of IRS operations, delay modernization of taxpayer service, and affect the IRS's efforts to strengthen cybersecurity protections.

Data Security: The risk that the inability to protect sensitive data may result in unauthorized access, disclosure, misuse, improper modification, or destruction creating additional burden on the taxpayer and eroding public trust.

Cybersecurity: The risk that increased complexity and sophistication of cyber threats may result in unauthorized access, data loss, fraud, or denial of service.

FY 2026 IRS Enterprise Risk Profile

- **Enforcement Capabilities:** The ineffective enforcement activities (technology, processes, people).
- **Taxpayer Service:** The inability to provide taxpayer services efficiently and effectively.
- **Workforce Readiness:** The failure of not having workforce equipped with the expertise, experience, and resources to meet evolving needs.
- **Implementation of Legislation and Other Requirements:** The failure to timely and effectively implement complex legislation and non-statutory requirements.
- **Fraudulent Scams and Schemes:** The inability to address bad actors perpetrating fraudulent scams and schemes to exploit tax laws, IRS procedures, technology, etc.
- **Information Technology Modernization:** The failure to timely modernize information technology systems, including adopting Artificial Intelligence.
- **Data Security:** The inability to protect sensitive data.
- **Cyber Security:** The inability to address increased complexity and sophistication of cyber threats.

Internal Revenue Service – slide 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Transformation of Business Systems Performance Measures

The IRS exceeded 1 out of 4 of its key performance measures for Transformation of Business Systems.

Table 3: Summary of key performance measure results for FY 2025.

Key Performance Measures	2025 Target	2025 Actual
Rentable Square Feet per Person[1]	229	230
Percent of Aged Hardware[2]	20.0%	13.1%
Percent of Reportable Information Technology Investments Within +/- 10% Cost Variance at the Investment Level[3]	90.0%	60.0%
Percent of Reportable Information Technology Investments Within +/- 10% Schedule Variance at the Investment Level[4]	90.0%	30.0%

■ Target met, or trending in the desired direction.
■ Target not met, or not trending in the desired direction.

[1] The amount of rentable square feet the IRS maintains per person requiring space. Rentable Square Feet per Person is driven in the positive direction by either a decrease in square footage, increase in staffing or a combination of both. Rentable Square Feet per person missed the target due to changing priorities of the last fiscal year, which led the IRS to reevaluate its current space usage and needs. The IRS is committed to reviewing its space reduction efforts for the upcoming fiscal year.

[2] The quantity of information technology hardware in operation past its useful life divided by the total hardware in use, shown as a percentage. Percent of Aged Hardware finished ahead of the target of 20%. The IRS made steady progress every quarter to reduce the amount of old hardware. The IRS started the year with a higher percentage of outdated equipment and replaced or retired older technology efficiently.

[3] The number of reportable IT investments within +/-10% variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of reportable information technology investments in that fiscal year, shown as a percentage. Percent of Reportable Information Technology Investments Within +/- 10% Cost Variance at the Investment Level fell below the target because less than six of ten reportable investments were within the cost variance threshold at the close of the FY 2025.

[4] The number of reportable IT investments within +/- 10% variance between planned days and projected/actual days within a fiscal year divided by the total number of reportable information technology investments in that fiscal year, shown as a percentage. Three of ten reportable investments were within the schedule variance threshold at the close of FY 2025. Percent of Reportable Information Technology Investments Within +/- 10% Schedule Variance at the Investment Level fell below the target because several IRS IT investments fell outside the normal ±10% schedule variance largely due to shifting procurement and funding timelines, and the early or adjusted completion of work across programs. The IRS is using these insights to further enhance monitoring and strengthen performance going forward.

DID YOU KNOW?

70th Anniversary of the April 15 Filing Deadline

The annual deadline for filing federal income tax returns was moved from March 15 to April 15 in 1955 to give both taxpayers and the IRS more time to prepare and process returns. This date has remained a consistent fixture in the U.S. financial calendar since then.

FY 2025 Best Practice Award Winners, cont.

5. Conveying Performance Information in a Creative Way – U.S. Government Accountability Office

- Presented informative descriptions of its performance results supported by innovative graphics
- Extensive hyperlinks in the MD&A
- Included an interactive web-based chart that facilitates reader access to in-depth coverage of important topics

U.S. Government Accountability Office – slide 1

Table 3: Agency-Wide Summary of Annual Measures and Targets

Performance measure	2020 actual	2021 actual	2022 actual	2023 actual	2024 actual	2025 target	2025 actual	Met/ not met	2026 target
Results									
Financial benefits (dollars in billions)	$77.6	$66.2	$55.6	$70.4	$67.5	$50	$62.7	✓	$50
Other benefits	1,332	1,239	1,262	1,220	1,232	1,200	1,295	✓	1,200
Past recommendations implemented[a]	77%	76%	77%	75%	70%	80%	77%	✗	80%
New products with recommendations	64%	58%	64%	63%	63%	60%	62%	✓	60%
Client									
Testimonies	59	67	72	57	60	90	46	✗	90
Timeliness	93%	97%	97%	94%	100%	90%	98%	✓	90%
People									
New hire rate	76%	80%	76%	81%	83%	80%	89%	✓	80%
Retention rate									
With retirements	95%	96%	93%	95%	95%	92%	96%	✓	92%
Without retirements	97%	98%	97%	96%	97%	96%	98%	✓	96%
Staff development	81%	82%	82%	79%	81%	80%	84%	✓	80%
Staff utilization	85%	85%	84%	86%	85%	80%	87%	✓	80%
Experience with supervisors	90%	91%	90%	90%	91%	82%	90%	✓	82%
Organizational climate	86%	87%	86%	86%	86%	80%	88%	✓	80%
Internal operations									
Help get job done	N/A[b]	N/A[b]	78%	78%	79%	80%[c]	N/A[c]	✗[d]	N/A[c]
Quality of work life	N/A[b]	N/A[b]	81%	81%	78%	80%[c]	N/A[c]	✗[d]	N/A[c]
IT tools	N/A[b]	N/A[b]	61%	65%	72%	80%[c]	N/A[c]	✗[d]	N/A[c]

Source: GAO. | GAO-26-900644

Note: Information explaining all of the measures included in this table appears in the Appendix II.

[a]Starting in FY 2025, we used a 5-year implementation rate to calculate the percentage of past recommendations implemented.

[b]Not Applicable. In 2022, we administered a new survey instrument to better gauge the quality of our internal customer services; the new survey instrument established a new trend baseline for these measures.

[c]Not available. We administer our annual customer survey in January to gauge the customer experience for the prior calendar year and report the results in the next fiscal-year PAR. Calendar year 2025 data will be provided in the FY 2026 PAR.

[d]Our "Met/not met" status is based on calendar year 2024 data.

Financial Benefits

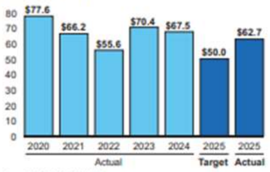
Our findings and recommendations produce measurable financial benefits for the federal government after the Congress or agencies act on them and government expenditures are reduced or funds are reallocated to other areas. For example, a financial benefit can be the result of changes in business operations and activities; the restructuring of federal programs; or modifications to entitlements, taxes, or user fees.

In FY 2025, our work generated about $62.7 billion in financial benefits (see fig. 9). We exceeded our target of $50 billion by about $12.7 billion. Our performance in delivering financial benefits has been consistent over the past five years, and the level produced in FY 2025 is consistent with the 5-year average ($64.5 billion).

In light of our (1) performance in FY 2025, (2) expected future financial benefits based on our past, ongoing, and expected work; and (3) uncertainty about the exact amount of financial benefits our recommendations will yield in 2026, we have set our 2026 target for financial benefits at $50 billion.

For more information on how we set our targets, see Setting Performance Targets.

Figure 9: Financial Benefits GAO Recorded



Source: GAO. | GAO-26-900644

To calculate our financial benefits, we rely primarily on estimates from non-GAO sources. These sources are typically the agency that acted on our work, a congressional committee, or CBO. For more information on financial benefits, see Measuring Our Performance and Appendix II. Examples of major new financial benefits reported in FY 2025 are in table 6.

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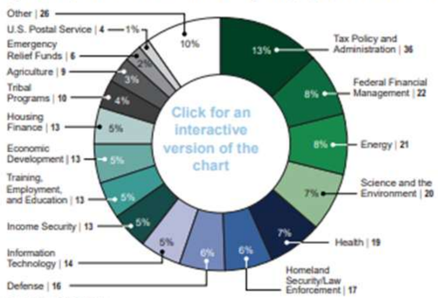
U.S. Government Accountability Office – slide 2

Recommendations to Congress and Agencies Could Produce Billions in Future Financial Benefits

In May 2025, we reported on open matters for congressional consideration. Action to address these open matters for congressional consideration can produce tens of billions of dollars in future financial savings or improve the effectiveness of federal agencies. Since 2000, we have recommended that Congress consider more than 1,100 matters for congressional consideration, and nearly 80 percent of them have closed. As of March 2025, 272 matters for congressional consideration remained open. Bills introduced in the 118th or 119th Congress would partially or fully address about one third of those. The open matters for congressional consideration span a wide range of topics and involve many parts of the federal government, as shown in figure 18.

Figure 18: Open Recommendations for Congress by Topic, as of March 2025



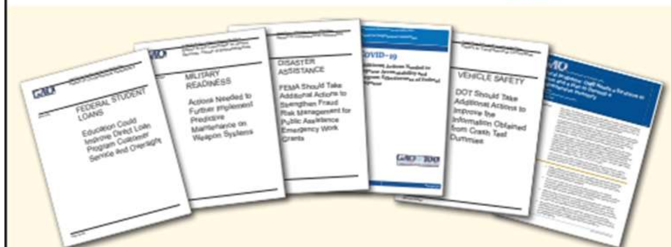
Source: GAO. | GAO-26-900644

GAO Performance and Accountability Report 2025

Public insurance and benefits	**Reducing Fraud Risk in Unemployment Insurance Programs.** Fraudulent activity in UI programs increased during the COVID-19 pandemic. In October 2021, we reported that DOL had not comprehensively assessed fraud risks in alignment with leading practices identified in our Fraud Risk Framework. We recommended that DOL do so. Further, in 2023, we estimated fraud in UI programs during the pandemic was likely between $100 billion and $135 billion. In FY 2025, we confirmed that DOL identified and assessed the likelihood and impact of inherent fraud risks, determined a fraud risk tolerance, examined existing antifraud controls, and documented a fraud risk profile. This will help DOL better manage fraud risks in UI programs. (GAO-22-105051)
Public safety and security	**Enhancing Safety for Pedestrians and Vehicle Occupants.** Thousands of people, including pedestrians, die annually in vehicle crashes. The NHTSA works to help improve safety. We have previously reported that NHTSA did not include pedestrian safety tests in its assessments of new cars. These tests evaluate how well a vehicle's design and technology, such as radar to detect an imminent crash, protect pedestrians. In December 2024, NHTSA established pedestrian safety tests for new cars and continued to improve the data from crash test dummies by advancing the development and use of an improved female crash test dummy. (GAO-23-105595, GAO-20-419)
Tax law administration	**Increasing the Transparency of Federal Tax Expenditures.** Tax expenditures—credits, deductions, or other ways to reduce a taxpayer's liability—represent a significant federal investment. These expenditures seek to achieve goals similar to spending programs, but by forgoing the collection of tax revenue. In October 2014, we recommended that the OMB include tax expenditures in a required inventory of all federal programs to help increase the transparency of them. OMB did so in January 2025 by including data on 174 tax expenditures, which represented an estimated $1.82 trillion in FY 2024. (GAO-24-107656, GAO-17-775, GAO-17-739, GAO-15-83)

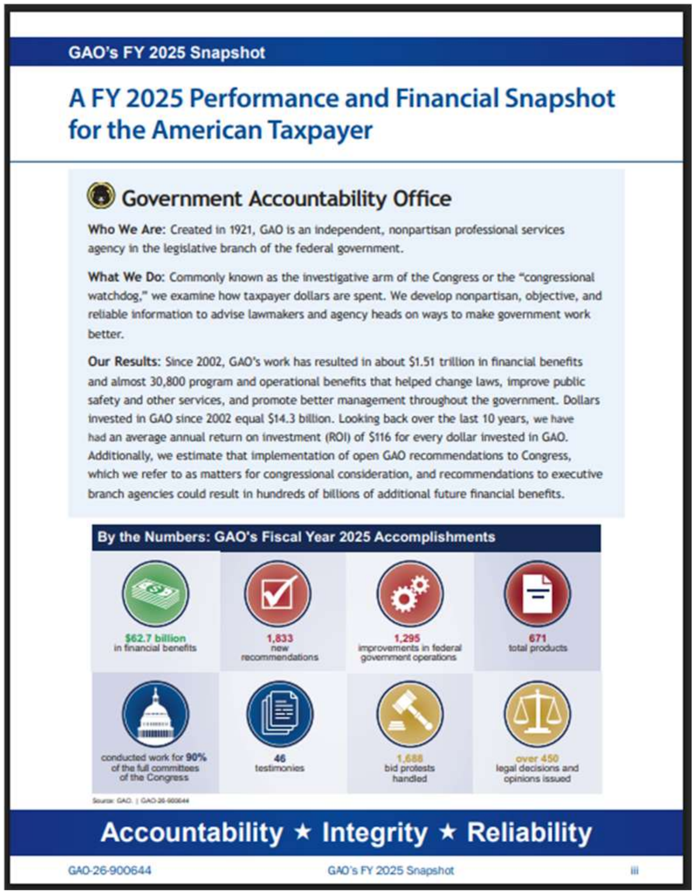
Source: GAO. | GAO-26-900644

Note: Click on report covers below to access key reports related to Table 7. Additional examples of other benefits for FY 2025 can be found in Part II of this report. It can take several years for our recommendations to result in an accomplishment. We generally claim an accomplishment within 2 fiscal years of the action taken. For more information, see Appendix II.



Source: GAO. | GAO-26-900644

U.S. Government Accountability Office – slide 3



GAO's FY 2025 Snapshot

A FY 2025 Performance and Financial Snapshot for the American Taxpayer

Government Accountability Office

Who We Are: Created in 1921, GAO is an independent, nonpartisan professional services agency in the legislative branch of the federal government.

What We Do: Commonly known as the investigative arm of the Congress or the "congressional watchdog," we examine how taxpayer dollars are spent. We develop nonpartisan, objective, and reliable information to advise lawmakers and agency heads on ways to make government work better.

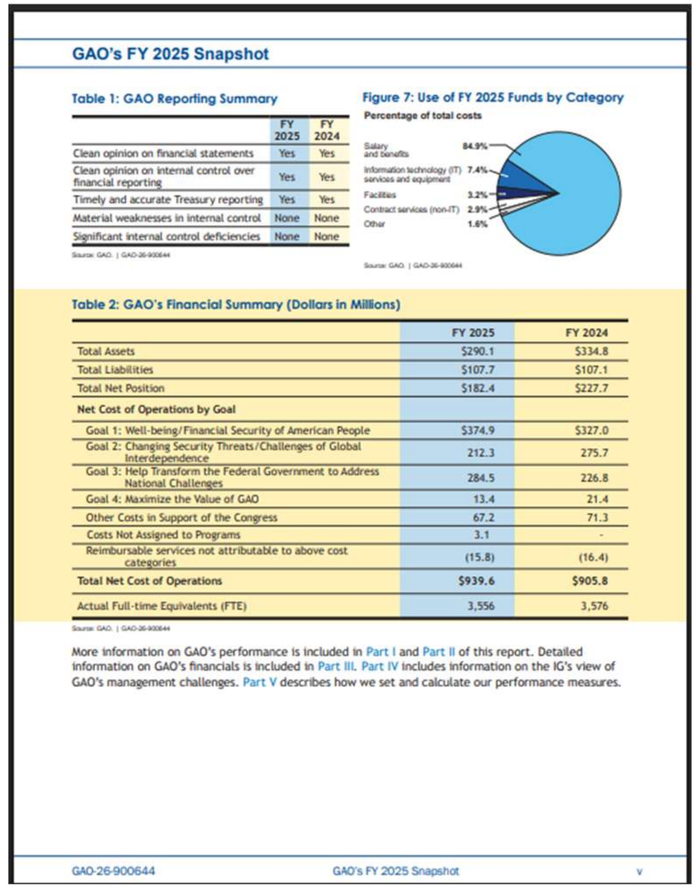
Our Results: Since 2002, GAO's work has resulted in about $1.51 trillion in financial benefits and almost 30,800 program and operational benefits that helped change laws, improve public safety and other services, and promote better management throughout the government. Dollars invested in GAO since 2002 equal $14.3 billion. Looking back over the last 10 years, we have had an average annual return on investment (ROI) of $116 for every dollar invested in GAO. Additionally, we estimate that implementation of open GAO recommendations to Congress, which we refer to as matters for congressional consideration, and recommendations to executive branch agencies could result in hundreds of billions of additional future financial benefits.

By the Numbers: GAO's Fiscal Year 2025 Accomplishments

Source: GAO. | GAO-26-900644

Accountability ★ Integrity ★ Reliability

GAO-26-900644 GAO's FY 2025 Snapshot iii



GAO's FY 2025 Snapshot

Table 1: GAO Reporting Summary

	FY 2025	FY 2024
Clean opinion on financial statements	Yes	Yes
Clean opinion on internal control over financial reporting	Yes	Yes
Timely and accurate Treasury reporting	Yes	Yes
Material weaknesses in internal control	None	None
Significant internal control deficiencies	None	None

Source: GAO. | GAO-26-900644

Figure 7: Use of FY 2025 Funds by Category

Source: GAO. | GAO-26-900644

Table 2: GAO's Financial Summary (Dollars in Millions)

	FY 2025	FY 2024
Total Assets	$290.1	$334.8
Total Liabilities	$107.7	$107.1
Total Net Position	$182.4	$227.7
Net Cost of Operations by Goal		
Goal 1: Well-being/Financial Security of American People	$374.9	$327.0
Goal 2: Changing Security Threats/Challenges of Global Interdependence	212.3	275.7
Goal 3: Help Transform the Federal Government to Address National Challenges	284.5	226.8
Goal 4: Maximize the Value of GAO	13.4	21.4
Other Costs in Support of the Congress	67.2	71.3
Costs Not Assigned to Programs	3.1	-
Reimbursable services not attributable to above cost categories	(15.8)	(16.4)
Total Net Cost of Operations	**$939.6**	**$905.8**
Actual Full-time Equivalents (FTE)	3,556	3,576

Source: GAO. | GAO-26-900644

More information on GAO's performance is included in Part I and Part II of this report. Detailed information on GAO's financials is included in Part III. Part IV includes information on the IG's view of GAO's management challenges. Part V describes how we set and calculate our performance measures.

GAO-26-900644 GAO's FY 2025 Snapshot v

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FY 2025 Best Practice Award Winners, cont.

6. Outstanding Message from the Agency's Office of the CFO – U.S. Department of the Interior

- Comprehensive and candid, well-written and informative
- Describes how the office supports the agency's mission and strategic objectives
- Details the audit results, corrective actions underway
- Discusses improvements to information systems, entity-level oversight, and risk management

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U.S. Department of the Interior

Message from the Deputy Chief Financial Officer and Director of the Office of Financial Management

The Office of Financial Management is honored to join Secretary Burgum in presenting the United States Department of the Interior Agency's Financial Report for Fiscal Year (FY) 2025. The U.S. Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, Native Hawaiians, and affiliated Island Communities. Our unwavering commitment to this mission, demonstrated through our effective financial management and oversight of the resources entrusted to the Department, is a testament to our dedication to the American people and should provide you with a profound sense of reassurance about our work.

We are pleased to report the Department received its consecutive 29th unmodified audit opinion on the financial statements for FY 2025. This achievement reflects the dedication of our financial management team to provide accuracy, transparency, and accountability. This year, we consolidated all financial management personnel under a unified structure, marking a transformative shift in how the Department governs, manages, and safeguards its resources. This enterprise approach strengthens accountability and transparency, reinforces internal controls and audit readiness, enables more consistent and decision-useful financial information, and builds a resilient, high-performing financial workforce positioned to support mission delivery and sustain long-term financial integrity. Financial statement audits remain an essential risk management tool used to strengthen financial accuracy and oversight. We remain committed to maintaining sound financial management as responsible stewards of these resources.

We approached FY 2025 with focus, collaboration, and a shared sense of purpose to meet the demands of an evolving financial landscape, including complex compliance and reporting requirements, as well as the Department's organizational shift to a unified financial management structure. This approach demonstrates the strength and excellence of the Department's financial management in action every day. I wish to recognize and thank our financial professionals for their tireless dedication and professionalism. Their skillful management and oversight of the Department's resources drives our success and reinforces our commitment to responsible stewardship. The achievements of FY 2025 are the result of a concerted, team-wide effort by all stakeholders, and it is through their hard work and professionalism that the Department continues to maintain public trust and operational excellence.

TONYA R. JOHNSON-SIMMONS
Deputy Chief Financial Officer and
Director, Office of Financial Management

The Office of Financial Management Mission:

To serve as a strategic partner by providing high-quality financial management, disciplined stewardship, and innovative solutions that empower leadership and advance the Department's mission.

The Department began FY 2025 with two financial statement audit findings from the prior year: a material weakness related to the implementation of Statement of Federal Financial Accounting Standards (SFFAS 54) on leases, and a significant deficiency related to monitoring assets constructed by other federal agencies. Over the past year, the Department achieved meaningful progress in remediating these findings. Accounting policies were refined to support accurate recognition and recording of lease transactions, and corrective actions were implemented to strengthen controls over leases and the monitoring of Property, Plant, and Equipment (PP&E).

To address the lease-related finding, the Department began implementing a consolidated financial system solution to manage lessee and lessor activity. This solution enhances our ability to analyze, classify, and monitor lease agreements in accordance with accounting standards, further strengthening internal controls and supporting accurate and transparent financial reporting. As a result, the material weakness on leases was reduced to a significant deficiency, and the long-standing audit finding related to PP&E achieved significant advancement in management processes, resulting in its downgrade to a non-reportable condition. Additionally, the significant deficiency related to monitoring assets constructed by other federal agencies was reduced to a not reportable condition. These results demonstrate our culture of continuous improvement and our commitment to strengthening internal controls and financial reporting processes.

While we are optimistic about our culture of continuous improvement and the progress achieved, the FY 2025 financial statement audit also identified two new control deficiencies, including a material weakness in financial reporting review controls and a finding related to monitoring the asbestos cleanup liability. These findings highlight the need to further strengthen financial reporting oversight and reinforce the consistent application of accounting standards across the Department. Targeted remediation efforts are underway and will continue through FY 2026 to address the root causes of the new findings and sustain long-term improvements in financial management and accountability.

Building on these improvements, the Department has also initiated the modernization of its audit and internal controls framework. During FY 2025, we began developing a SharePoint-based management system to support audit readiness and financial risk management oversight across the Department. This effort addresses gaps from the phased-out legacy audit management repository and lays the groundwork for a modernized, comprehensive approach to audit and internal controls. The system establishes a unified platform that enhances collaboration between audit and internal controls, streamlines oversight processes, and provides the infrastructure needed for tracking, reporting, and managing audit-ready financial and operational activities. By laying the foundation for digitizing records and enabling analytics, this initial framework positions DOI to strengthen accountability, coordination, and risk management across Bureaus and Offices while supporting the Department's FY 2025 strategic priorities.

Beyond financial statement audits, the Department successfully achieved 100% of its Government Accountability Office (GAO) and the DOI Office of the Inspector General (OIG) targeted audit remediation goal, completing 214 recommendations in FY 2025. Notably, 59% addressed GAO High-Risk and OIG Management Challenge areas, including energy resource management, contract and grant oversight, cybersecurity, and stewardship of water and power resources. These results underscore the Department's commitment to accountability, internal controls, and mission-critical program performance.

The Department also strengthened entity-level oversight and risk management. It completed its 4th annual consolidated entity-level assessment and gained deeper insights into operational and financial risks. The Office of Financial Management continued to require the fraud awareness course titled, "Recognizing and Responding to Suspected Fraud", equipping staff to identify and report suspected fraud, waste, or abuse.

In addition to these accomplishments, other noteworthy initiatives that advanced the Department's mission and strategic objectives include:

- Continued implementation of Interior's Antifraud Strategy, which is centered around three pillars: communications, management of fraud risk, and prevention. In FY 2025, the Department continued its fraud training program and monitored fraud risk across the Department through the Internal Control Program.
- Promoted DOI's compliance with the GAO Green Book by completing the Department's entity-level assessment. This assessment consolidated principle-based results across the 17 GAO Green Book principles and included extensive documentation review, significantly enhancing the internal control environment.

FY 2025 Best Practice Award Winners, cont.

7. Outstanding Inspector General's Summary of Management and Performance Challenges – Farm Credit Administration

- Management challenges were presented clearly – highly readable and informative
- Overall quality and candor of the OIG analysis was impressive

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Farm Credit Administration – slide 1

INTRODUCTION

The Reports Consolidation Act of 2000 requires the Inspector General to provide a summary perspective on the most serious management and performance challenges facing the Farm Credit Administration (FCA or Agency) and briefly assess the Agency's progress in addressing those challenges. In accordance with this Act, we are reporting what we have determined to be the most significant management and performance challenges facing FCA. These challenges reflect ongoing vulnerabilities identified by the Office of Inspector General (OIG) over recent years as well as new and emerging issues.

Ensuring Effective Human Capital Management	Adapting to Changes in Information Technology	Regulating and Supervising a Complex Farm Credit System	Planning for Artificial Intelligence	EMERGING CHALLENGE: FCA Board Operating Without a Quorum

FCA is a federal agency tasked with regulating and supervising the Farm Credit System (System). The System is the nation's oldest government-sponsored enterprise, consisting of a nationwide network of cooperative banks and associations, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac). The System's borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. The Agency ensures that all institutions within the System are safe, sound, and reliable sources of credit and related services for creditworthy and eligible individuals in agriculture and rural America. To promote safety and soundness in the System, FCA conducts examination and supervision activities, develops regulations and policies, and monitors risks and System conditions.

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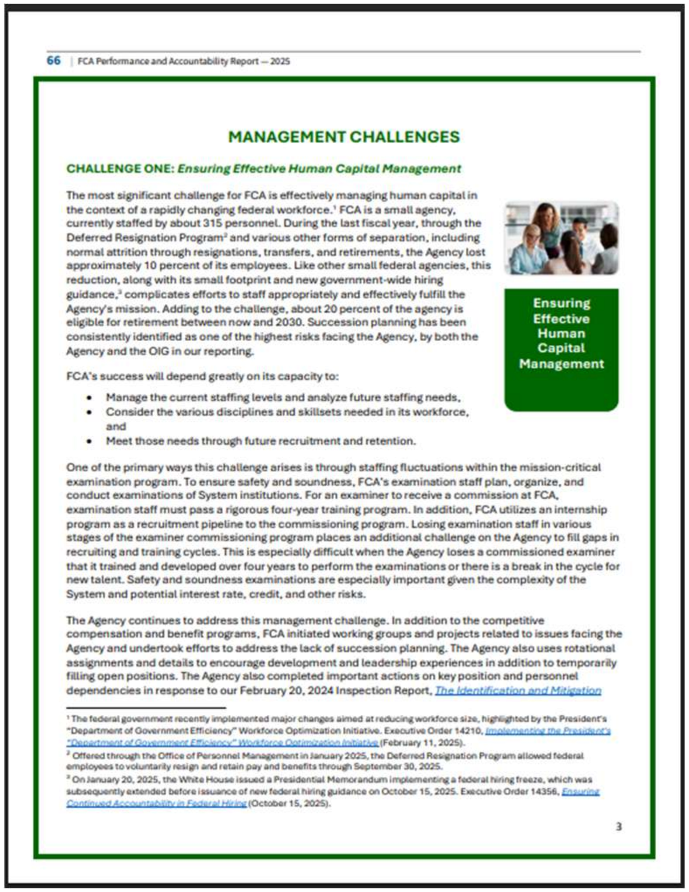
Farm Credit Administration – slide 2



MANAGEMENT CHALLENGES

CHALLENGE ONE: *Ensuring Effective Human Capital Management*

The most significant challenge for FCA is effectively managing human capital in the context of a rapidly changing federal workforce.[1] FCA is a small agency, currently staffed by about 315 personnel. During the last fiscal year, through the Deferred Resignation Program[2] and various other forms of separation, including normal attrition through resignations, transfers, and retirements, the Agency lost approximately 10 percent of its employees. Like other small federal agencies, this reduction, along with its small footprint and new government-wide hiring guidance,[3] complicates efforts to staff appropriately and effectively fulfill the Agency's mission. Adding to the challenge, about 20 percent of the agency is eligible for retirement between now and 2030. Succession planning has been consistently identified as one of the highest risks facing the Agency, by both the Agency and the OIG in our reporting.

Ensuring Effective Human Capital Management

FCA's success will depend greatly on its capacity to:

- Manage the current staffing levels and analyze future staffing needs,
- Consider the various disciplines and skillsets needed in its workforce, and
- Meet those needs through future recruitment and retention.

One of the primary ways this challenge arises is through staffing fluctuations within the mission-critical examination program. To ensure safety and soundness, FCA's examination staff plan, organize, and conduct examinations of System institutions. For an examiner to receive a commission at FCA, examination staff must pass a rigorous four-year training program. In addition, FCA utilizes an internship program as a recruitment pipeline to the commissioning program. Losing examination staff in various stages of the examiner commissioning program places an additional challenge on the Agency to fill gaps in recruiting and training cycles. This is especially difficult when the Agency loses a commissioned examiner that it trained and developed over four years to perform the examinations or there is a break in the cycle for new talent. Safety and soundness examinations are especially important given the complexity of the System and potential interest rate, credit, and other risks.

The Agency continues to address this management challenge. In addition to the competitive compensation and benefit programs, FCA initiated working groups and projects related to issues facing the Agency and undertook efforts to address the lack of succession planning. The Agency also uses rotational assignments and details to encourage development and leadership experiences in addition to temporarily filling open positions. The Agency also completed important actions on key position and personnel dependencies in response to our February 20, 2024 Inspection Report, *The Identification and Mitigation*

[1] The federal government recently implemented major changes aimed at reducing workforce size, highlighted by the President's "Department of Government Efficiency" Workforce Optimization Initiative. Executive Order 14210, *Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative* (February 11, 2025).
[2] Offered through the Office of Personnel Management in January 2025, the Deferred Resignation Program allowed federal employees to voluntarily resign and retain pay and benefits through September 30, 2025.
[3] On January 20, 2025, the White House issued a Presidential Memorandum implementing a federal hiring freeze, which was subsequently extended before issuance of new federal hiring guidance on October 15, 2025. Executive Order 14356, *Ensuring Continued Accountability in Federal Hiring* (October 15, 2025).

Efforts for Key Position and Personnel Dependencies at the Farm Credit Administration, including developing a succession planning framework, providing guidance to FCA leadership, and conducting a workforce analysis to identify key risk areas.

In the absence of a hiring freeze, FCA appears well-positioned to compete effectively in the labor market. However, there are still significant areas to address in the realm of human capital management. The Agency must adopt a strategic and holistic approach to meet its future staffing needs. As discussed in subsequent sections of this report, FCA has prioritized innovation in recent years. This focus, combined with the rapid advancement of new technologies and plans for office restructuring and redevelopment, presents a unique opportunity for FCA to redefine its human capital strategies.

FCA OIG issued prior reports relating to human capital management and will continue to address this challenge through our oversight mission. These reports include:

- *Farm Credit Administration's Employee Separation Process* (February 9, 2021), and
- *Human Capital Planning at the Farm Credit Administration* (February 29, 2016).

CHALLENGE TWO: *Adapting to Changes in Information Technology*

FCA is navigating a complex landscape where the demand for new technology and innovation must be balanced with the imperative of a strong and strategic information security program. As cybersecurity threats evolve, the Agency faces the crucial task of implementing a security framework that is both prepared for and adaptable to these ongoing challenges.

Cyber incidents can cause tremendous harm to national security, agencies, and the American people. Security threats, events, and breaches across the world highlight the prevalence of cybersecurity risks and the importance of robust detection, response, and prevention processes. Cyber-attacks continue to evolve in complexity with rapid technological advancements. The tactics and techniques of adversaries increasingly use tools that are harder to detect, and the use of external providers can increase visibility challenges.

Adapting to Changes in Information Technology

FCA depends heavily on information technology systems for its operations. The Agency will continue to be challenged to meet all the requirements and strategies for a strong information technology security program as more resources and approaches may be necessary to address emerging threats. This is not a challenge unique to FCA. To address this challenge, FCA's information security program needs to be able to pivot quickly in certain scenarios to adapt to changing threats and requirements. Continuous investment in training and hiring staff with the necessary expertise is essential as new technologies evolve. As a small agency with limited resources and budget constraints, FCA regularly grapples with the challenges of maintaining an agile workforce. This workforce must be capable of adapting internal processes, policies, procedures, and technologies efficiently while aligning with other mission-critical priorities of the Agency.

FCA OIG performs an annual review of FCA's information security program and practices, as required under the Federal Information Security Modernization Act of 2014 (FISMA), to assess their effectiveness and the Agency's progress toward achieving outcomes that strengthen federal cybersecurity. In our most recent evaluation, FCA's information security program received an overall rating of *effective* (Level 4:

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Tips from an Award-Winning Agency – AOC

Speaker: Migdali Delgado, Program Analyst, Office of the Chief Financial Officer, Architect of the Capitol

Best Practice – Engaging Report Elements that Tell the Agency's Story

Best-In-Class Awardees – FY2024 AFRs/PARs

1. Informative introductory information on the agency's mission and organization (CFTC)
2. Outstanding messages from the Agency Head and Chief Financial Officer that exemplify a commitment to customer service (IRS)
3. A Management's Discussion and Analysis that tells a compelling story (DOI)
4. Providing an invaluable resource to the public (Treasury)
5. Outstanding discussion of the entity's enterprise risk management program (AOC)
6. Clear and insightful analysis of financial statements (NASA)
7. Informative analysis of systems, controls, and legal compliance (NCUA)
8. An excellent presentation of performance in an Agency Financial Report (VA)
9. Conveying performance information in a clear, understandable, and informative way (FAA)
10. Clear and concise financial and performance highlights section (GAO)
11. Clear integration of cost and performance data, as well as other metrics (FTC)
12. Informative lease disclosures and effective implementation of SFFAS 54, Leases (State)
13. Best integration of Inspector General Management and Performance Challenges throughout the report (SSA)

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Frequent Issue Areas

Speaker: Andrew Lewis

- Agency Head Message
- Performance Reporting
- Financial Analysis
- Customer Service
- Risk Information
- Resolving Audit Findings
- Inspector General Summaries of the Most Serious Management and Performance Challenges
- Editorial Matters
- Responsiveness to Prior Year CEAR Comments

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Highlights - FASAB Staff Implementation Guide for MD&A

Speaker: Robin Gilliam

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Staff Implementation Guidance for SFFAS 64 Management's Discussion and Analysis

- SIG 64.1-

August 12, 2026

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Disclaimer

- Views expressed are those of the speaker
- The Board expresses its views in official publications

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SIG 64.1 Structure

Questions, Answers & Examples

handbook_sig_64_1.pdf

Two Very Important Terms

- **Key**

  What is of paramount or crucial importance to the reporting entity?

- **Significant**

  Management includes information they believe is important for users to understand what has impacted financial position, financial condition, or key performance results despite whether it is material or not.

*****Both determined by management's professional judgment*****

Descriptions are generic and not official FASAB definitions

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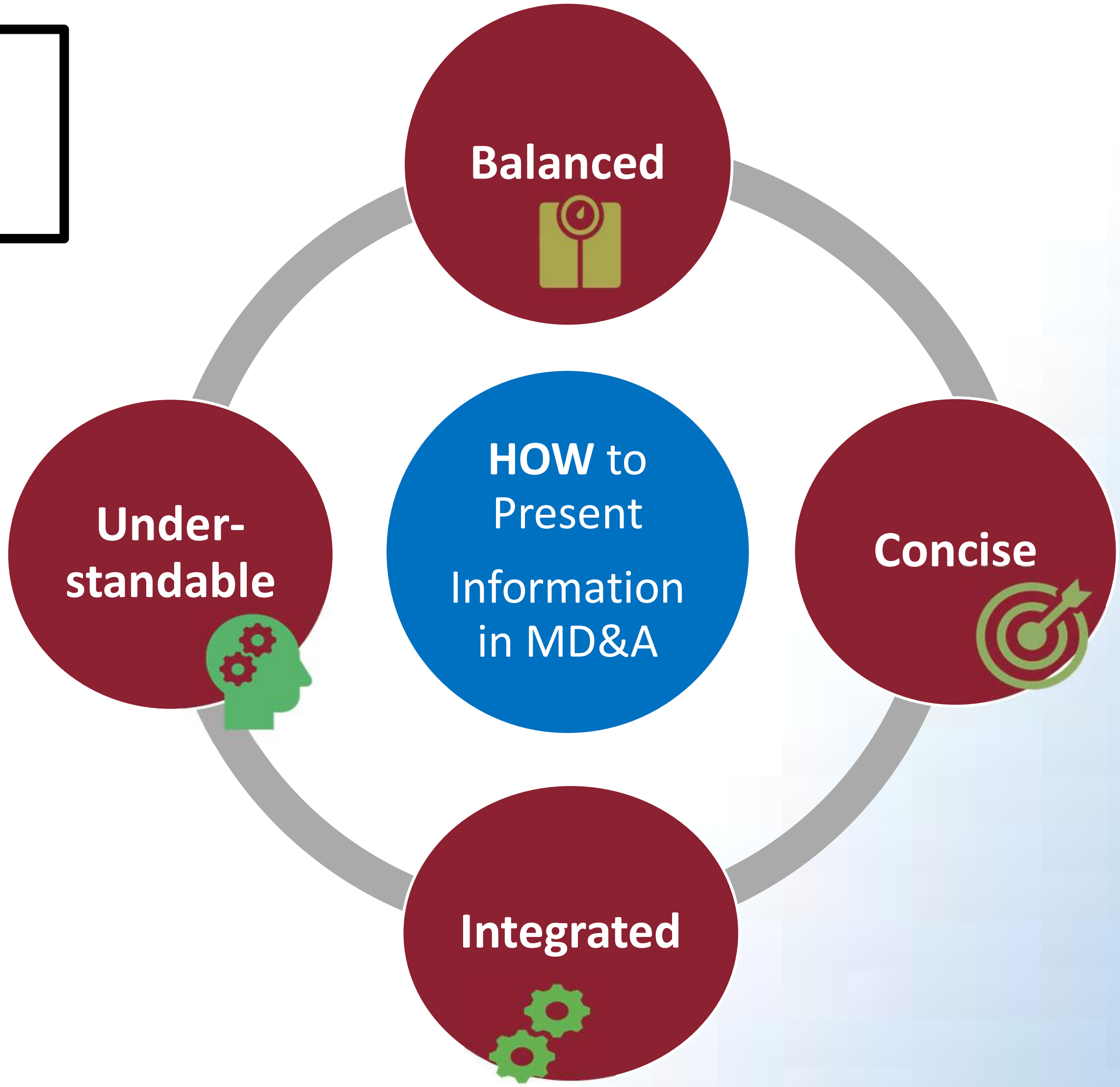
FOUR characteristics of an MD&A



How to Present a Balanced MD&A

SIG 64.1 pars 9-11

Management explains whether events, conditions, trends or a combination had a significant positive or negative effect on the reporting entity's financial position, financial condition, or operating performance.

How to Present a Concise MD&A

SIG 64.1 pars 12-17

Management

- emphasizes the **vital few matters**
- **summarizes** and includes only **relevant** information
- **limits duplicative content**
- provides **references** to relevant detailed information to achieve a concise MD&A

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How to Present an Integrated MD&A

SIG 64.1 pars 18-26

Management tells a **streamlined story** by combining financial nonfinancial, qualitative, and quantitative information with how significant opportunities and risks are being leveraged or mitigated for the reporting entity and major programs.

NOTE: Statement of net cost is a good place to begin analyzing this information because agencies already have costs identified by major programs.

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How to Present an Understandable MD&A

SIG 64.1, pars 27 - 30

Management provides an MD&A that is easy to understand by

- presenting content in **plain language**
- combining different methods of presenting information that appeal to a variety of users
- For **example**:
  - Related content could be organized by headers, sub-headers, and bullet points, such as a heading for the internal control assessment.
  - Charts, tables, or graphs could help explain quantitative information such as trends.

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Tell
Users
WHY

INFORMATION DISCUSSED and ANALYZED in MD&A

SIG 64.1, pars 31- 73

How to Discuss & Analyze Organization & Mission in MD&A

SIG 64.1, pars 31- 33

Management provides:

- a brief description about the reporting entity and each key organization's mission and indicates where more details can be found in the reporting entity's webpage
- information about any changes to the organization or mission and how that caused a significant impact to the reporting entity's financial position, financial condition, or operating performance

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How to Discuss & Analyze Financial Position in MD&A

SIG 64.1, pars 34- 40

Management discusses **what caused significant changes and trends** in assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources to help users understand the financial position of the reporting entity.

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How Many Years are Required for Trends?

SIG 64.1, pars 41 - 44

SFFAS 64 does not require a specific number of years for reporting trends.

- Management
  - determines how many past years are necessary to review to effectively explain the nature and significance of each trend and projected amounts going forward.
  - summarizes when and **why** significant changes affected the agency's financial position, as well as what steps management is taking to manage the trend to maintain or achieve positive results.

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How to Discuss & Analyze Financial Condition in MD&A

SIG 64.1, pars 34- 40

Management provides an explanation about potential significant changes beyond the reporting period for

- business-type activity,
- social insurance,
- long-term projections, and
- required supplementary information (RSI).

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How to Discuss & Analyze Key Performance Results & Associated Costs in MD&A

SIG 64.1, pars 49 - 55

- Management focuses on **what it costs** the agency and its key organizational components to pursue or accomplish key performance results, as well as whether there might be any cost savings.
- Associated costs are actual costs, or if actual costs are not available, the explanation should include obligations incurred or associated outlays.
- MD&A explains how key performance accomplishments and challenges affected budgetary or financing resources during the reporting period.

How to Discuss & Analyze Significant Opportunities & Risks in MD&A

SIG 64.1 pars 58-63

Management discusses

Significant **opportunities** that **enhance key performance** results

- Plans to leverage such opportunities
- Potential effect on financial and budgetary results of carrying out those plans

Significant **risks** that have a **potentially negative effect** on key performance results

- Plans to mitigate such risks
- Potential effect on financial and budgetary results of carrying out those plans

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How to Discuss & Analyze the Effectiveness of Internal Controls & Financial Management Systems in MD&A

SIG 64.1 pars 64-71

Management:

Provides

- A summary assessment of compliance with applicable laws, regulations, contracts, and grant agreements that are relevant to financial reporting.
- **References** to detailed information, such as FFMIA and FMFIA

Addresses

- Internal control weaknesses
- Systems deficiencies
- Instances of noncompliance

Includes

- What had a **significant effect** on the reporting entity's financial and performance reporting
- **Plans** to address these effects

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Please send questions to

MDA@fasab.gov

NOTE: Please include your agency in the subject line

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Other Tips for Enhancing Quality of AFRs/PARs

Speaker: Kerrey Olden

Apply materiality to disclosures

- Establish a quantitative and qualitative threshold
- Think about the value an immaterial disclosure adds today AND in the future
  - Does the disclosure enhance a user's understanding of the entity's operations or financial position, or influence a user's judgments or decisions?
  - Is the disclosure balance expected to be material in the subsequent year?
- Maintain support or analysis for decisions to not report immaterial disclosures

Example: Accounts receivable, net

- Example scenario:
  - Other than intragovernmental accounts receivable balance is <1% of total assets
  - Related disclosures historically report the following:
    - SOSAP disclosure: method used to estimate the allowance for uncollectible accounts
    - Accounts receivable disclosure: gross receivable, allowance for uncollectible accounts, net realizable value
  - Based on historical trends, consideration of future changes in the entity's operations, and other relevant information, account balances are not expected to change significantly year over year.

- Document rationale for removing disclosure

Reduce AFR/PAR “bloat”

- Cross-reference rather than repeat content
  - MD&A ←→ disclosures
  - SOSAP disclosure ←→ other disclosures
  - Disclosure ←→ disclosure
- Assess the length of narrative disclosures relative to the materiality of the disclosures

The problem: Long disclosures scream “high risk” or “highly important”.

The solution: Keep immaterial disclosures short or remove them.

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Enhance disclosures

- Evaluate relevance of “Frankenstein” prior year disclosures that have built over time – take a fresh lens approach
- Declutter generic descriptions of accounting policies
- Focus accounting policy disclosures to:
  - Address all financial statements
  - Convey the nuances of the entity

Guide the user through the report

- Utilize visual cues to focus attention
  - Bold call-outs
  - Tables versus lengthy, dense narrative where possible
  - Section dividers to highlight changes or new transactions/events
- Harmonize the tone, formatting and messaging to avoid a siloed feel

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Leading practices

Continue/start to …

- Eliminate duplicative or immaterial content
- Field test the AFR, particularly lengthy narratives
- Explain unique aspects or nuances of the entity
- Engage with the OIG/auditor to discuss changes

And stop doing this.

- View checklists as mandates to report on every balance
- Adding content without eliminating some
- Draft sections in silos

Available resources

- FASAB Standards & Guidance: Standards & Guidance – fasab.gov
- OMB Circular No. A-136: OMB Circular A-136, Financial Reporting Requirements-Revised
- GAO's Financial Audit Manual Volume 3, Federal Financial Reporting Checklist: GAO-26-108632, Financial Audit Manual: Volume 3 (2026 Update)
- AGA's FY2026 CEAR Preparer Training and Guidelines: Agencies & Preparers - AGA

Q&A

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CEAR Program Benefits and Opportunities

Speaker: Diane Dudley

- Reasons why agencies participate
- Benefits of being a CEAR reviewer
- Important dates
- CEAR website resources

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Reasons Why Agencies Participate

- "We participate in the CEAR program because we believe it is important to present the most informative, interesting, useful, and readable financial and performance information possible. And we believe in continuous improvement."
- "The CEAR program provides our team with inspiration and motivation to prepare the very best document that they can. Otherwise, the summary of best practices is very beneficial. Also very beneficial are the summaries of special Best-in-Class awards across all winning agencies".
- "We participate to demonstrate our commitment to excellence and to challenge ourselves to continuously improve our AFR. The review comments are helpful (suggestions for improvement) and encouraging (highlighting what is done well). It is also a pleasure to celebrate excellence during the Awards Dinner."
- "To get an unbiased and quality review of our report, with recommendations on how to improve."

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Benefits of Being a CEAR Reviewer

- Another way to learn is from each other!
- Excellent way to learn best practices
- Great for networking and additional CPE
- Learn more at https://www.agacgfm.org/Standards-Guidance/CEAR/Reviewers/Benefits-Eligibility.aspx
- **Reviewer Training** | Dec. 8, 2026 | 2 – 4:00 p.m. ET | 2 CPEs | FOS: AUDG
- You can earn an additional 2 CPEs for attending the review team meeting in March, to finalize the comments for your assigned agency review
- Application deadline to apply is December 9, 2026

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Important Dates

- **November 16, 2026**
  - Auditor's report must be dated on or before
  - Agency applications due (application is on AGA's website)
- **December 8, 2026**
  - Reviewer Training | 2-4 p.m.
- **December 9, 2026**
  - Reviewer applications due (application is on AGA's website)
- **December 15, 2026**
  - CEAR Program agency packet and filing fees due

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CEAR Website Resources

- Links to FY2024 and 2025 AFRs and PARs
- List of FY2024 and 2025 CEAR Award Winners
- Important Dates
- Recordings of Preparer and Reviewer trainings
- FY2026 Guidelines
- Descriptions of Suggested Special Award Winners

https://www.agacgfm.org/get-involved/awards-scholarships-recognition/cear-program/

Closing Remarks

Thank You for Joining Us!

- Thank you to our speakers for sharing their valuable insights and expertise.
- Thank you to everyone who joined us today.
- Please scan the QR code on the next slide to complete the session evaluation. **We appreciate your feedback!**
- CPE certificates will be emailed to eligible participants within two weeks.
- We look forward to seeing you at future AGA Montgomery/Prince George's County Chapter events.

Please complete the survey:

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Thank You for Participating!

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