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Independent Auditors' Report

Administrator and Inspector General
United States General Services Administration:

Report on the Audits of the Financial Statements

Opinions

We have audited the consolidated financial statements of the U.S. General Services Administration (GSA), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (hereinafter referred to as "consolidated financial statements").

We have also audited the financial statements of the Acquisition Services Fund (ASF), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended (presented in Schedules 1-4), and the related notes to the ASF financial statements (hereinafter referred to as "ASF financial statements").

We have also audited the financial statements of the Federal Buildings Fund (FBF), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended (presented in Schedules 1-4), and the related notes to the FBF financial statements (hereinafter referred to as "FBF financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the U.S. General Services Administration as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

In our opinion, the accompanying ASF financial statements present fairly, in all material respects, the financial position of the Acquisition Services Fund as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

In our opinion, the accompanying FBF financial statements present fairly, in all material respects, the financial position of the Federal Buildings Fund as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of GSA, ASF, and FBF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Other Matter – Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the GSA's 2023 *Agency Financial Report* to provide additional information for the users of its consolidated, ASF, and FBF financial statements. Such information is not a required part of the consolidated, ASF, and FBF financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated, ASF, and FBF financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated, ASF, and FBF financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, ASF financial statements as a whole, and FBF financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated, ASF, and FBF financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated, ASF, and FBF financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated, ASF, and FBF financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GSA's, ASF's, and FBF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated, ASF, and FBF financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections referenced in the Table of Contents be presented to supplement the basic consolidated, ASF, and FBF financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated, ASF, and FBF financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated, ASF, and FBF financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries; the basic consolidated, ASF, and FBF financial statements; and other knowledge we obtained during our audits of the basic consolidated, ASF, and FBF financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the GSA's 2023 *Agency Financial Report*. The other information comprises the GSA Websites, Table of Contents, Brief Overview of the Agency Financial Report, Understanding the Agency Financial Report and its Components, Letter from the Administrator, How GSA Benefits the Public, Letter from the Chief Financial Officer, Inspector General's Transmittal Memorandum, and Other Information but does not include the consolidated, ASF, and FBF financial statements and our auditors' report thereon. Our opinions on the consolidated, ASF, and FBF financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated, ASF, and FBF financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated, ASF, and FBF financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements as a whole, ASF financial statements as a whole, and FBF financial statements as a whole. The information in the Other Funds and Intra-GSA Eliminations sections in the consolidating and combining financial statements in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated, ASF, or FBF financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated, ASF, and FBF financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated, ASF, and FBF financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated, ASF, and FBF financial statements or to the consolidated financial statements themselves, ASF financial statements themselves, and FBF financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole, ASF financial statements as a whole, and FBF financial statements as a whole.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated, ASF, and FBF financial statements as of and for the year ended September 30, 2023, we considered GSA's, ASF's, and FBF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated, ASF, and FBF financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSA's, ASF's, and FBF's internal control.

Accordingly, we do not express an opinion on the effectiveness of GSA's, ASF's, and FBF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in Exhibit I, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the consolidated, ASF, and FBF financial statements as of and for the year ended September 30, 2023 are free from material misstatement, we performed tests of GSA's, ASF's, and FBF's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the consolidated, ASF, and FBF financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

We also performed tests of GSA's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which GSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

GSA's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on GSA's response to the finding identified in our audits and described in Exhibit I. GSA's response was not subjected to the other auditing procedures applied in the audits of the consolidated, ASF, and FBF financial statements and, accordingly, we express no opinion on the response.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GSA's, ASF's, and FBF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 14, 2023

A. Deficiencies in Controls over Certain Manual Journal Entries

Background

During fiscal year (FY) 2022 audit, we noted that GSA's controls over the review and approval of certain manual journal entries were not appropriately designed and implemented to determine that transactions were properly authorized prior to posting in the general ledger and that the authorized transactions were posted correctly. In FY 2023, GSA developed a plan to configure its accounting system to enforce the secondary review and approval of its manual journal entries; however, the system configuration had not been completed as of year-end. To compensate for the lack of system controls, GSA updated its policies and procedures to require that manual journal entries be reviewed and approved by an individual other than the preparer outside of the accounting system.

Condition

During the FY 2023 audit, we noted that the manual compensating controls over journal entries were not consistently implemented across GSA. Specifically, we noted that a number of manual journal entries were not reviewed and approved by an individual other than the preparer, or documentation of such reviews did not evidence the timeliness of the review.

Criteria

The Government Accountability Office's *Standards for Internal Control in the Federal Government*, dated September 2014, Principle 10, *Design Control Activities*; Principle 12, *Implement Control Activities*; and Principle 14, *Communicate Internally*.

Cause

GSA management did not effectively communicate to its staff across the organization the updates made to its policies and procedures for the manual compensating controls to facilitate consistent control implementation across the organization.

Effect

Without effective implementation of the manual compensating controls across the organization, an increased risk exists that material misstatements in GSA's financial statements will not be prevented or detected and corrected in a timely manner.

Recommendations

We recommend that GSA:

1. Complete the configuration of the accounting system to enforce secondary review and approval of manual journal entries by an individual other than the preparer prior to posting to the general ledger.
2. Effectively communicate to its staff the implementation of the manual compensating controls, until system controls have been implemented, that require all types of journal entries to be reviewed and approved by an individual other than the preparer and that the evidence of such reviews be documented and maintained.

Management's Response

GSA concurs with the finding.