S T O D D A R D   F O R   C O N G R E S S

— Utah’s 3rd Congressional District —

“OPEN THE BOOKS!”

RESTORE ACCOUNTABILITY

An Independent External Audit of the United States Federal Government

A Policy Position Paper

“… a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.”

— U.S. Const. art. I, § 9, cl. 7

Self-Audit Is No Audit at All!

Michael R. Stoddard, CPA, CFP®

Libertarian Candidate, U.S. House of Representatives

June 2026

Primary Plank:

The U.S. Federal Government MUST Submit to an Annual Third-Party Independent Audit — and Publish the Full Balance Sheet, Unrecorded Liabilities Included

"OPEN THE BOOKS Mr. President!"

> ***"The federal government requires every publicly traded company in America, every nonprofit that receives federal grants, and every state and local government that touches federal dollars to submit to an independent external audit. It demands this because it knows — correctly — that self-audit is no audit at all. I am simply asking the federal government to live by its own rule."***
>
> **— Michael R. Stoddard, C.P.A., C.F.P.**

I. The Problem

The United States federal government is the largest financial entity on earth. In fiscal year 2025, its net costs exceeded $7.3 trillion. It holds assets and liabilities measured in the tens of trillions. It administers programs touching every American citizen. And it has never — not once in its history — received a clean audit opinion on its consolidated financial statements.

The Government Accountability Office (GAO), the federal government's own auditor, has issued a disclaimer of opinion on the consolidated financial statements for twenty-eight consecutive years, beginning with the first statements prepared under the Government Management Reform Act of 1994 (Support Document, Table 1). A disclaimer of opinion is the worst possible outcome in professional auditing. It means the auditor cannot obtain sufficient appropriate evidence to form any opinion at all on whether the financial statements are fairly presented.

Twenty-eight consecutive years. Twenty-eight consecutive disclaimers. No American under thirty has lived a single year in which the books of their own government passed inspection.

In the private sector, a single disclaimer of opinion triggers regulatory scrutiny, potential stock delisting, and intense shareholder concern. Twenty-eight consecutive disclaimers would be unthinkable — no company could survive such a record. Yet the federal government has normalized this failure to the point that its annual disclaimer barely registers as news.

Three persistent impediments have prevented GAO from rendering an opinion for the entire duration of this record: (1) serious financial management problems at the Department of Defense; (2) the inability to adequately account for intragovernmental activity and balances between federal entities; and (3) weaknesses in the process for preparing the consolidated financial statements. These are not new discoveries. They are the same three problems, restated year after year, for nearly three decades. Note their character: the second and third are defects of the consolidated whole — they do not live inside any single agency, and as Section V will show, no agency-level audit can ever reach them.

The complete record — every consolidated audit result from FY 1997 through FY 2025, the Department of Defense's eight-year full-scope audit history, improper payments by program, and the off-balance-sheet schedules — appears in the accompanying Support Document, *A Detailed Record of Federal Audit Failures*. Every figure asserted in this paper is documented there, with sources.

II. The Independence Problem

The GAO performs valuable work. It issues hundreds of reports annually, identifies billions in potential savings, and provides Congress with nonpartisan analysis. But the GAO is not, and cannot be, an independent external auditor of the federal government. It is, by definition, an internal audit function. The government will answer that an auditor is an auditor. This is the central confusion, and it must be corrected plainly.

The GAO is a legislative branch agency. Its budget is appropriated by Congress. Its Comptroller General is appointed by the President from a congressional shortlist. The entity being audited controls the funding, appointment, and institutional framework of the entity performing the audit. In professional auditing standards, this relationship triggers multiple independence impairments:

Self-Review Threat

The federal government writes the rules, spends the money, and then reviews its own work. The same sovereign entity occupies all three roles.

Advocacy Threat

The GAO's continued existence, staffing, and institutional authority depend on appropriations from the very Congress whose agencies it audits. Institutional survival is tied to the goodwill of the audited party.

Familiarity Threat

GAO staff spend entire careers auditing the same federal agencies. Professional relationships develop. Institutional courtesies accumulate. The profession calls this "auditor capture" when it occurs in the private sector and sanctions practitioners for it.

Any one of these would constitute a disqualifying impairment under AICPA independence standards (ET Section 1.200) and International Ethics Standards Board for Accountants (IESBA) requirements. The federal government manages to present all three simultaneously.

The analogy is precise. When a Fortune 500 company tells the SEC, "We have a world-class internal audit department," the SEC does not excuse the company from an independent external audit. Internal audit supplements but never replaces external audit. Under AU-C Section 610, external auditors may use the work of internal auditors after evaluating their competence and objectivity — but the external auditor's opinion is never replaced by the internal function. The same standard should apply to the federal government.

III. Who Writes the Rules — The Hidden Balance Sheet

The problem is compounded by the federal government's accounting framework. Federal financial statements are prepared under standards issued by the Federal Accounting Standards Advisory Board (FASAB). FASAB is a federal advisory committee whose members are appointed by the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General. The entity being reported on controls the body that sets the rules for how it is reported on.

Under FASAB standards, Social Security and Medicare obligations are disclosed in supplementary schedules rather than recognized as liabilities on the face of the balance sheet. The government reports a national debt of approximately $37.6 trillion. But the present value of the gap between projected Social Security and Medicare expenditures and projected revenues over 75 years exceeds $73 trillion — with the broadest infinite-horizon analysis projecting a total fiscal imbalance of $162.7 trillion (Support Document, Table 4).

The federal government already knows the right answer to this question, because it imposes that answer on everyone else. Under GASB Statements 68 and 75, every state, county, city, and school district in America must recognize its net pension and retiree-healthcare liabilities on the face of its balance sheet — measured at the actuarial present value of benefits attributable to past service, discounted at deliberately conservative rates that put unfunded pay-as-you-go promises on the books at close to full weight. And who compels ninety thousand state and local governments to follow GASB? The federal government, through the Single Audit Act: touch federal dollars, and your retirement promises go on the face of your statements. When these standards took effect, the reported net positions of major states swung negative by tens of billions overnight. The promises did not change; the standards forced the promises into the light, and the bond markets, the rating agencies, and the citizens adjusted to reading the true number. The republic did not fall. The footnotes simply stopped hiding it.

The asymmetry runs deeper still. The federal balance sheet already recognizes roughly $15 trillion in liabilities for federal civilian pensions, military retirement, and veterans' benefits — FASAB itself requires it. So the standard defense of the status quo, that Congress can amend benefits and therefore no present obligation exists, is refuted by FASAB's own framework: Congress can amend military pensions too, yet they sit on the face of the statements. The recognition line is not drawn at "amendable by Congress." It is drawn precisely where the numbers become civilizationally large. Defenders will answer that pensions are employment-exchange obligations while Social Security is a nonexchange social benefit. But the program's contributory architecture — earmarked payroll taxes, benefits computed from individual earnings records, trust fund accounting — was designed, in Roosevelt's own words, so that "no damn politician" could ever scrap it, because contributors would hold a legal, moral, and political right to their benefits. The government has spent ninety years telling citizens they earned these benefits and telling accountants the same benefits are gratuitous transfers nobody is owed. It may keep one story. It may not keep both.

Whether recognition is technically mandatory under existing frameworks is a debate the profession can continue at its leisure — refereed, as the logic of Section II demands, by a standard-setter the reportee does not appoint, rather than by FASAB, a board chosen by the very officers whose balance sheet grows by a hundred trillion dollars or shrinks depending on the answer. Today the entity being billed chooses the fraction of the bill that appears on its books. This paper does not wait for the profession's verdict, because Section IV moots the question: under the proposal, the full bill appears on the face of an audited statement beside the official one, whatever the standard-setters conclude. A footnote is where an obligation goes to be forgotten. One hundred twenty-five trillion dollars has spent three decades in the government's attic. The American people are entitled to see it carried downstairs, weighed, and signed for.

IV. The Proposal

I propose legislation requiring the United States federal government to submit to an annual independent external audit conducted by international public accounting firms. The centerpiece of the proposal is not the audit structure — the profession has possessed that machinery for decades. The centerpiece is consequence: a published, independently measured number that tracks the government's distance from honest books, and a certification regime that puts named officials' signatures, under legal exposure, on the journey.

The structure follows:

A. Group Audit Structure — No Exemptions

The engagement would follow standard group audit methodology under ISA 600 (Special Considerations — Audits of Group Financial Statements). A Lead Firm, selected through competitive RFP, would assume overall engagement responsibility, coordinate the consolidated opinion, and directly audit the largest federal agencies (Department of Defense, Department of Health and Human Services, Department of the Treasury). Two Assisting Firms, selected through subsequent RFPs, would serve as component auditors, dividing the remaining CFO Act agencies between them. The Lead Firm would review the component auditors' work, set group materiality, direct component scope, and sign a single consolidated opinion for which one engagement partner is personally accountable. This is not a novel structure. It is the standard methodology used to audit multinational corporations with operations in scores of countries.

The authorizing statute would permit no scope exemptions. Classified programs would be audited by engagement teams holding appropriate clearances — a practice that already exists, since cleared private-firm personnel audit classified Department of Defense components today. The reason for the bar is structural: an exemption written into an authorizing statute never comes back out. The audit covers the entity, the whole entity, or it is not an audit of the entity.

B. The Statement of Full Obligations

The authorizing statute would prescribe the reporting framework — as Congress is entitled to do, and as it effectively did to fifty states when federal audit requirements carried GASB's recognition standards into every statehouse. The annual financial report would contain two balance sheets, both audited under identical standards, both covered by the consolidated opinion. The first: the balance sheet as constructed under the prevailing framework, so that continuity with three decades of prior statements is preserved. The second — the Statement of Full Obligations — recognizing on its face every material obligation the first omits: the actuarial present value of Social Security and Medicare commitments, presented as line items at both the 75-year measure and the infinite-horizon measure; contingent exposures from federal loan guarantees and enterprise backstops; and every further item a statutory schedule captures. Measurement follows the GASB 68/75 mechanics already mandated for every state and local government in America — an existing, decade-tested, federally-imposed technology, applied at last to its author.

One rule governs the statement's construction: nothing material lives below the line. The notes carry methodology — discount rates, mortality tables, sensitivity ranges — and nothing else. The government already produces most of these figures in the Statements of Social Insurance, buried as supplementary information inside the consolidated disclaimer, audited in effect by no one. The proposal does not invent a new document. It drags the existing one out of the attic, sets it beside the official balance sheet, and requires an independent auditor to sign for both. The professional debate over which statement is "the real one" may continue indefinitely; the citizen will hold both pages, read $37.6 trillion beside $162.7 trillion, and draw conclusions no footnote was ever going to permit.

C. The Convergence Schedule

Honesty requires saying plainly what the first years will produce. A properly structured engagement of an entity in this condition will yield a disclaimer of opinion in year one — expected, announced in advance, and valuable, because it will be the first disclaimer in American history rendered by an auditor with no institutional stake in the result and with authority over the consolidated whole. That document is the baseline map. The engagement proceeds in three phases:

Phase I — Baseline. Full-scope engagement; disclaimer expected; the auditor publishes a complete inventory of material weaknesses and a remediation roadmap with annual milestones.

Phase II — Convergence. Each year, the auditor publishes movement against the baseline in countable units: material weaknesses opened and closed; component entities receiving unmodified opinions; and the headline figure — the percentage of total federal assets standing behind a clean opinion. A number any citizen can read: last year, 41 percent of federal assets stood behind a clean opinion; this year, 48. No administration can fake that number moving, and no administration can survive it standing still once it is published annually under an independent signature. The Statement of Full Obligations stands inside the same scoreboard: its actuarial schedules are subject to the same audit, and an administration whose long-range estimates cannot be supported will see that failure published as a material weakness against the full balance sheet — extending the convergence discipline to the very obligations the old framework hid.

Phase III — Opinion. Consolidated statements reach opinion-grade condition, and the full certification regime of subsection E takes effect.

This sequence has exact professional precedent. Under Sarbanes-Oxley Section 404, a company with identified material weaknesses does not pretend to clean controls; it discloses the weaknesses and certifies remediation progress, year over year, until the weaknesses clear. The proposal applies the same discipline at sovereign scale. The promise made to the American people is therefore the auditor's promise, not the politician's: not "I will balance the books," but "you will know, every year, exactly how far from honest books we stand — and whether we moved."

D. Mandatory Firm Rotation

The lead engagement firm would be subject to mandatory rotation on a five-year cycle, consistent with the approach adopted by the European Union for public-interest entities under Regulation (EU) No 537/2014. Rotation eliminates the familiarity threat that develops over extended engagements and ensures that no single firm becomes institutionally captured by the relationship. During its tenure, the engaged firm would be barred from providing non-audit services to the federal government — the same separation Sarbanes-Oxley Section 201 imposes in the corporate context, and the provision that prevents the independence problem of Section II from reappearing one contract away.

E. Certification with Consequence

The President of the United States would be required to certify annually, on the model of Sarbanes-Oxley Section 302 — but phased to the audit's maturity, so that no official is ever asked to attest to the unattestable. During Phase I and Phase II, the certification attests to remediation: that the corrective-action plan exists, is resourced, and met its published milestones for the year. Upon reaching Phase III, the certification escalates to full Section 302 form: that the President has reviewed the financial report, that it contains no material misstatements or omissions, that the statements fairly present the financial condition of the federal government, and that the President is responsible for internal controls and has evaluated their effectiveness.

The Secretary of the Treasury and the Director of the Office of Management and Budget would co-certify alongside the President. This mirrors Sarbanes-Oxley exactly — the CEO and the CFO both sign — and it is where the enforcement lives: the co-certifying officers are the officials executing the corrective-action plan, they attest to their own operational work, and they stand under ordinary criminal exposure for false certification. Above their signatures sits the President's name; beneath all three sits the auditor's convergence number, which no attestation can move. A President can misstate his diligence. He cannot make the percentage of assets under clean opinion rise by signing a piece of paper. Congress may further provide, as a hard backstop, that failure to certify suspends new debt issuance beyond rollover of existing obligations — but even without it, the architecture stands: a prosecutable signature, an unfakeable number, and the President's name on both.

Every chief executive and chief financial officer in the Fortune 500 signs this certification under penalty of law. The individuals who preside over the largest financial operation on earth should bear no less responsibility — and under this proposal, for the first time, they would bear it by name.

F. The Financial State of the Nation

The audit reports to the owners. Each year, not later than forty-five days after the consolidated opinion is rendered, the legislation requires publication of the Financial State of the Nation: a fixed-format, plain-language report of not more than a dozen pages, containing the two balance sheets of subsection B side by side, the convergence percentage and its movement from the prior year, the material weaknesses opened and closed, and the auditor's opinion in full. A document a citizen can read at a kitchen table — because the citizen is who it is for.

And the report is delivered, in public, by the independent auditor. The Lead Firm's engagement partner presents the Financial State of the Nation at a televised joint hearing; the President receives it; the certifications of subsection E follow upon it. The auditor must be the one who speaks, for a structural reason: the State of the Union is the audited entity reporting on its own performance, in its own words, to applause it choreographs. The Financial State of the Nation will be the one annual address in Washington that Washington does not write about itself. The Constitution ordered that "a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time." The clause survives in statute and has died in practice — fulfilled by a report no one reads, prepared under standards the reportee controls, behind an opinion no one can render. This provision restores it: from time to time becomes every year, in plain words, to the owners.

V. Anticipated Objections

"Private firms already audit the agencies — and they still disclaim."

This is the strongest objection available, and it deserves the most precise answer. It is true: since fiscal year 2018, independent public accounting firms have audited the components of the Department of Defense under contract to the DoD Inspector General, and most CFO Act agencies are audited by private firms today. The disclaimers persist. But notice what the objection concedes and what it indicts. It concedes the principle — the firms exist, the standards exist, the government already hires them. What it indicts is the structure into which they have been deployed: each firm is contracted by the audited agency's own Inspector General, answers to that Inspector General, coordinates with no one across agency lines, and no human being's signature stands behind the consolidated whole except GAO's — which, as Section II established, is not independent. The current system is dozens of audits and zero auditor.

The fragmentation is not merely inefficient; it is structurally incapable of reaching the problem. Recall the three impediments of Section I. Two of the three — intragovernmental eliminations and the consolidation process itself — are defects that exist only between entities. An intragovernmental balance that fails to eliminate is located inside no component; no component auditor, however competent, can ever reach it, because it is not within any engagement boundary that exists. Only a group auditor with authority over the consolidated whole, under ISA 600, can audit the spaces between the agencies — and that auditor has never been engaged. The objection, fully understood, is not an argument against the proposal. It is the proposal's best evidence: the government has deliberately deployed world-class firms in a configuration that guarantees no one can opine on the entity.

And yes — the first consolidated opinions will be disclaimers. Section IV.C says so in advance. The difference is that, for the first time, the disclaimer will be drawn by someone outside the entity, and the distance it measures will shrink on a public schedule.

"Do not surrender financial sovereignty."

An audit opinion is not a governance mechanism. It confers transparency, not authority. The United States already participates in IMF Article IV consultations and World Bank assessments. An independent audit opinion carries no power over spending, taxation, or policy. It simply tells the truth about the books.

"The government is too large to audit."

The group methodology answers the first half: consolidated audits of multinational entities with operations across every continent are routine in the profession, and the three-firm structure of Section IV.A is that routine applied to government. The second half — that sovereign finances are inherently unauditable — is empirically false. New Zealand's whole-of-government financial statements have received clean opinions for roughly three decades under full accrual standards; Canada's consolidated statements receive clean opinions year after year; the United Kingdom publishes audited Whole of Government Accounts. Those audits are performed by state auditors, not independent third parties — they prove auditability at sovereign scale, nothing more, and this paper asks them to prove nothing more. A sovereign's books can be brought to opinion-grade condition and held there for a generation. The methodology exists. The precedent exists. What is missing is the will.

"The engagement would cost too much."

Improper payments alone are estimated at $162–186 billion per year, with cumulative identified improper payments since fiscal year 2003 totaling approximately $2.8 trillion (Support Document, Table 3). An engagement of this scale would plausibly cost in the low hundreds of millions of dollars annually. An audit is not a recovery program — it identifies control weaknesses rather than clawing back payments — but the arithmetic is conservative and devastating: if the control improvements it forces prevent even one-tenth of one percent of annual improper payments, the engagement pays for itself. The GAO's own work yielded $62.7 billion in financial benefits in fiscal year 2025; oversight is among the highest-return expenditures the government makes.

"We already have auditors — the GAO."

Every corporation that maintains an internal audit function is still required to submit to an independent external audit. Internal audit and external audit serve different purposes and are not interchangeable. The GAO's work would continue and would be utilized by the external auditors under established professional standards. The proposal supplements existing oversight; it does not replace it.

"This is unrealistic."

Consider what Washington has refused even to do already. For nearly a decade, members of both parties have introduced the Fiscal State of the Nation resolution — a measure asking only that the Comptroller General, the government's own internal auditor, give one annual briefing to the budget committees on the financial statements that already exist. The accounting profession formally endorses it. Polling finds that more than four in five Americans support an annual report on the government's audited financial statements, and that an overwhelming majority fear the debt's weight on their children. The House passed the resolution once. It has never become law. Read that record correctly: it is not evidence that transparency is unrealistic. It is evidence that the American people already demand it across the entire political spectrum, that the profession already stands behind it, and that the only place the idea remains controversial is inside the building it would illuminate. The window is open everywhere except in Washington. "Unrealistic" is not a measurement of the proposal. It is a measurement of the resistance — and naming the resistance is what campaigns are for.

VI. Conclusion — The Trustee's Oldest Duty

Strip the proposal to its principle and it is this: the relationship between the government and the people, with respect to money, is fiduciary — not as metaphor, but as function. The government holds and spends assets that belong to others, taken under compulsion, for the stated benefit of those others. Every body of law America possesses for that relationship commands the same thing. The trustee accounts to the beneficiary — and the duty to account is the oldest and least waivable duty a fiduciary bears; a trustee who refuses to render accounts is removed by the court without any inquiry into whether the funds were misused, because the refusal is itself the breach. The executor accounts to the heirs. The guardian accounts to the ward. The pension administrator accounts under penalty of personal liability. Every fiduciary in American life renders accounts to the people whose money it holds — except the largest fiduciary in human history, which renders accounts only to itself, under standards it writes, through an auditor it appoints. The federal government is the only trustee in America permitted to audit its own trusteeship. It would remove any other trustee who tried.

This is why the demand belongs to no party and threatens none. The progressive who wants government to do more needs honest books to prove the money reaches its purpose. The conservative who wants it to do less needs honest books to prove what it costs. The libertarian needs them to prove what it takes. Disagreement over the size of the trust is the whole of American politics; the duty to account for the trust precedes every position in that fight. Demanding an accounting is not a position on the political spectrum. It is the precondition of having one — and no citizen, of any persuasion, has ever campaigned for the trustee's right to hide the ledger from the beneficiaries.

So this is not a radical proposal. It is the most conservative position imaginable — conservative in the oldest sense, older than the republic, older than the common law's memory: the steward renders accounts. It holds the federal government to the standard it already imposes on every publicly traded corporation, every nonprofit receiving federal grants, every state and local government that touches federal dollars, and every trustee, executor, and guardian in every courthouse in America. The radical position is the status quo — a $7.3 trillion annual operation that has never once received a clean opinion and asserts a privilege no other fiduciary on earth would be granted.

Let it be said honestly: no nation has ever done what this paper proposes. Every sovereign that audits its books at all does so through an officer of its own state. But while the assembly is unprecedented, every component is proven. Group audit methodology is proven on multinationals spanning every continent. Private-firm audit of public institutions is proven on the IMF and the World Bank. Sovereign auditability is proven by New Zealand and Canada. Mandatory rotation is proven by the European Union. Certification under penalty of law is proven by two decades of Sarbanes-Oxley. Nothing in this proposal is untested. Only the combination is new — and some nation will be the first to assemble it. No nation has ever shown its people an honest set of books drawn by hands it does not control. America should be the first.

I am a Certified Public Accountant. I have spent my professional life examining financial statements, evaluating internal controls, and holding fiduciaries to the duty they owe the people whose money they hold. I am asking for one thing: an honest accounting from the trustee to the owners — and until honest books exist, an honest annual statement of exactly how far away they are. Every fiduciary in America is required to render it. Your agent the US Government refuses!

There is an older account of what becomes of a house of trust when it is turned into a house of business, and it belongs beside the ledgers. The temple was raised to be a house of prayer. The money changers set their tables inside it and took their cut on every coin that crossed the threshold, until the house of prayer had become a house of merchandise — and worse, in the words the first three Gospels record, a den of thieves. When Christ came upon it, He did not file a grievance, convene a commission, or ask the changers to comply voluntarily by a date of their own choosing. He made a whip of cords and drove them out.

Weigh the word the Gospels chose. Not the petty thief who lifts a purse in a crowd — the word is *lēstēs*, the brigand, the same charge later fixed to Barabbas: organized, brazen plunder conducted under a sacred roof. Twenty-eight years of books the people are forbidden to read is not graft at the margins of an honest house. It is *lēstēs* work, carried on inside the People's House, behind a veil the changers themselves are permitted to hang — and permitted to inspect.

All four Gospels set the scene down — Matthew, Mark, Luke, and John — three in close agreement and the fourth standing apart, which is precisely the independent corroboration an honest audit is built upon: separate witnesses, examined separately, testifying to the same fact. They do not disagree about what was seen. The tables went over. What had lain hidden in the dim of the courtyard was dragged into the light and counted. That is the whole of the demand in this paper, reduced to its oldest image: overturn the tables, and let the people see what is lying on them.

I am not the Carpenter, and an independent federal audit is no whip of cords. But the principle is His, and it is old enough to outlast every objection Washington has left to raise: a house of trust is not a marketplace for the men who keep its door. The changers have had the temple to themselves for twenty-eight years, balancing their own books by their own light and calling it an accounting. It is time to turn over the tables — and drive the money changers out of the People's House.

Self-audit is no audit at all.

It Is a Breach of Fiduciary Duty!

Open the Books Mr. President.

Paid for by the Committee to Elect Michael Stoddard to Congress