

Why GAO Did This Study

GAO is required to audit the consolidated financial statements of the U.S. government. Because of the significance of the federal debt held by the public to the government-wide financial statements, GAO audits Fiscal Service's Schedules of Federal Debt annually to determine whether, in all material respects, (1) the schedules are reliable and (2) Fiscal Service management maintained effective internal control over financial reporting relevant to the Schedule of Federal Debt. Further, GAO tests compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt.

Federal debt managed by Fiscal Service consists of Treasury securities held by the public and by certain federal government accounts, referred to as intragovernmental debt holdings. Debt held by the public essentially represents the amount the federal government has borrowed to finance cumulative cash deficits. Intragovernmental debt holdings represent balances of Treasury securities held by federal government accounts—primarily federal trust funds such as Social Security and Medicare—that typically have an obligation to invest their excess annual receipts (including interest earnings) over disbursements in federal securities.

In commenting on a draft of this report, Fiscal Service's Commissioner concurred with GAO's conclusions.

View [GAO-14-173](#). For more information, contact Gary T. Engel at (202) 512-3406 or engelg@gao.gov.

December 2013

FINANCIAL AUDIT

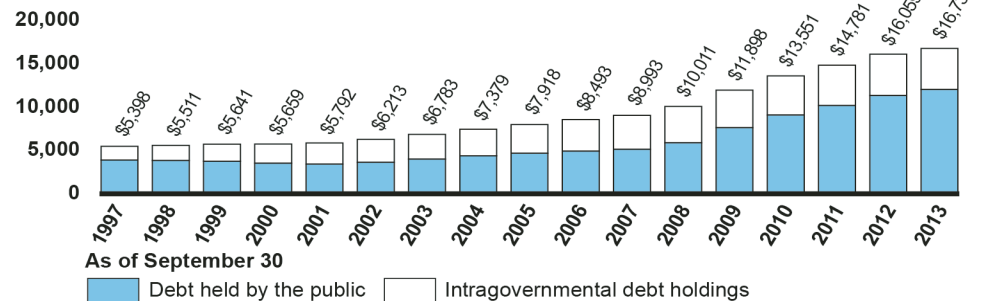
Bureau of the Fiscal Service's Fiscal Years 2013 and 2012 Schedules of Federal Debt

What GAO Found

In GAO's opinion, the Bureau of the Fiscal Service's (Fiscal Service) Schedules of Federal Debt for fiscal years 2013 and 2012 were fairly presented in all material respects, and although information systems controls could be improved, Fiscal Service maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2013. GAO's tests disclosed no instances of reportable noncompliance for fiscal year 2013 with selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt.

Total federal debt managed by Fiscal Service has increased by 210 percent and the debt limit has been raised 14 times, from \$5,950 billion to \$16,699 billion, from fiscal year 1997, the first year of audit, through September 30, 2013.

Total Federal Debt Outstanding, September 30, 1997, through September 30, 2013
Dollars in billions



Note: A small amount of total federal debt is not subject to the debt limit.
Source: Fiscal Service.

Due to delays in raising the debt limit, during fiscal year 2013, the Department of the Treasury (Treasury) twice, and for almost half of the fiscal year, deviated from its normal debt management operations and took a number of extraordinary actions—consistent with relevant laws and regulations—to avoid exceeding the debt limit. Many extraordinary actions taken by Treasury during fiscal year 2013 resulted in federal debt securities not being issued to certain federal government accounts. Consequently, the resulting uninvested principal as of September 30, 2013, totaling \$248 billion, and related interest totaling \$801 million, are not reported on the fiscal year 2013 Schedule of Federal Debt. Uninvested principal was subsequently restored to affected federal government accounts, increasing the federal debt. As GAO has previously reported, delays in raising the debt limit can create uncertainty in the Treasury market and lead to higher Treasury borrowing costs. To avoid such uncertainty and related borrowing costs, GAO noted, in its February 2011 and July 2012 reports related to the debt limit, that Congress should consider ways to better link decisions about the debt limit with decisions about spending and revenue to avoid potential disruptions to the Treasury market and to help inform the fiscal policy debate in a timely way. As decision makers determine funding for the federal government's operations in the short term over the next few months and as they decide how to address the federal government's long-term fiscal challenges, it will be important at the time such decisions are made that consideration be given as to the impact the decisions will have on the level of federal debt.