

GAO Highlights

Highlights of [GAO-16-160](#), a report to the Secretary of the Treasury

Why GAO Did This Study

GAO audits the consolidated financial statements of the U.S. government. Because of the significance of the federal debt 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 the 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 concurred with GAO's conclusions.

View [GAO-16-160](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov.

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FINANCIAL AUDIT

Bureau of the Fiscal Service's Fiscal Years 2015 and 2014 Schedules of Federal Debt

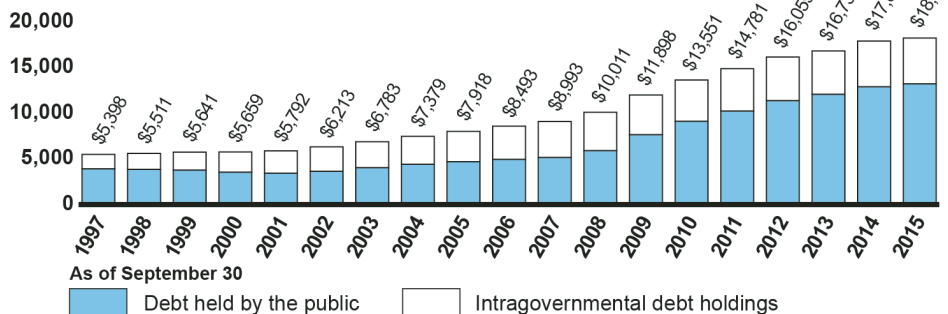
What GAO Found

In GAO's opinion, the Bureau of the Fiscal Service's (Fiscal Service) Schedules of Federal Debt for fiscal years 2015 and 2014 were fairly presented in all material respects, and the Fiscal Service maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2015. GAO's tests disclosed no instances of reportable noncompliance for fiscal year 2015 with selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt.

From fiscal year 1997, the first year of audit, through September 30, 2015, total federal debt managed by the Fiscal Service has increased by 236 percent and the debt limit has been raised 16 times, from \$5,950 billion to \$18,113 billion.

Total Federal Debt Outstanding, September 30, 1997, through September 30, 2015

Dollars in billions



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

Source: GAO analysis of Fiscal Service information. | GAO-16-160

Prior to the start of fiscal year 2015, a law was enacted to suspend the debt limit from February 15, 2014, through March 15, 2015. Due to delays in raising the debt limit, the Department of the Treasury (Treasury) deviated from its normal debt management operations and took a number of extraordinary actions—consistent with relevant laws and regulations—from March 16, 2015 through September 30, 2015 to avoid exceeding the debt limit. Many extraordinary actions taken by Treasury during fiscal year 2015 resulted in federal debt securities not being issued to certain federal government accounts.

Consequently, the resulting uninvested principal as of September 30, 2015, totaling \$350 billion, and related interest totaling \$2 billion, are appropriately not reported on the fiscal year 2015 Schedule of Federal Debt. Legislation suspending the debt limit was enacted on November 2, 2015, and Treasury restored the uninvested principal as of this date to affected federal government accounts, thereby increasing the federal debt. As GAO has previously reported, delays in raising the debt limit have created uncertainty and disruptions in the Treasury market and challenges for Treasury debt and cash management. To avoid such disruptions and to help inform fiscal policy debate in a timely way, GAO has noted in reports related to the debt limit, most recently in July 2015, that Congress should consider alternative approaches that better link decisions about the debt limit with decisions about spending and revenue at the time those decisions are made.