

GAO Highlights

Highlights of [GAO-17-104](#), 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 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-17-104](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov.

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FINANCIAL AUDIT

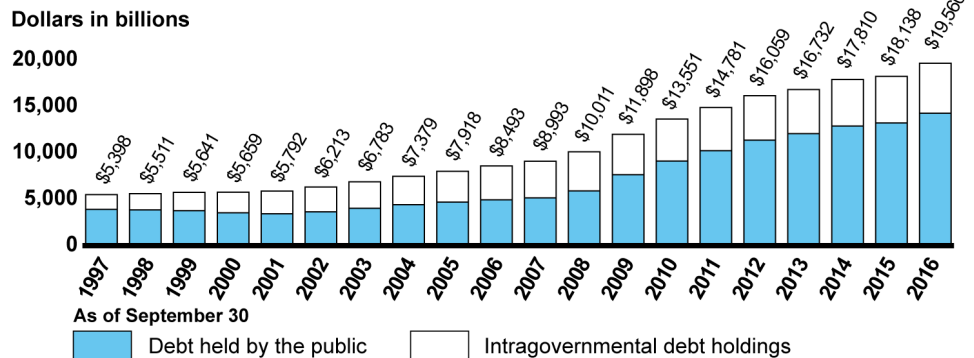
Bureau of the Fiscal Service's Fiscal Years 2016 and 2015 Schedules of Federal Debt

What GAO Found

In GAO's opinion, the Bureau of the Fiscal Service's (Fiscal Service) Schedules of Federal Debt for fiscal years 2016 and 2015 were fairly presented in all material respects, and Fiscal Service maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2016. GAO's tests disclosed no instances of reportable noncompliance for fiscal year 2016 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, 2016, total federal debt managed by Fiscal Service has increased by 262 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, 2016



Note: A small amount of total federal debt is not subject to the debt limit.
Source: GAO analysis of Bureau of the Fiscal Service information. | GAO-17-104

Because of 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—from March 16, 2015, through October 30, 2015, to avoid exceeding the debt limit. Many extraordinary actions taken by Treasury during this delay period resulted in federal debt securities not being issued to certain federal government accounts. Legislation temporarily suspending the debt limit was enacted on November 2, 2015, and Treasury subsequently restored the uninvested principal and related interest to the affected federal government accounts, thereby increasing the federal debt. The suspension of the debt limit is in effect through March 15, 2017, and if an increase in the debt limit is not enacted prior to this date, the debt limit will be increased by the change in qualifying federal debt securities outstanding on November 2, 2015, compared to those outstanding on March 16, 2017. 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 the 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.