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 primarily 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.

What GAO Found

In GAO’s opinion, the Bureau of the Fiscal Service’s (Fiscal Service) Schedules of Federal Debt for fiscal years 2017 and 2016 were fairly presented in all material respects, and although internal 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, 2017. GAO’s tests disclosed no instances of reportable noncompliance for fiscal year 2017 with selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt. GAO identified a significant deficiency in Fiscal Service’s internal control over financial reporting related to information system controls, which although not a material weakness, is important enough to merit the attention of those charged with governance of Fiscal Service.

From fiscal year 1997, the first year of audit, through September 30, 2017, total federal debt managed by Fiscal Service has increased by 275 percent and the debt limit has been raised 17 times.