

# GAO Highlights

Highlights of [GAO-18-134](#), 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 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.

View [GAO-18-134](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or [simpsondb@gao.gov](mailto:simpsondb@gao.gov).

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## FINANCIAL AUDIT

### Bureau of the Fiscal Service's Fiscal Years 2017 and 2016 Schedules of Federal Debt

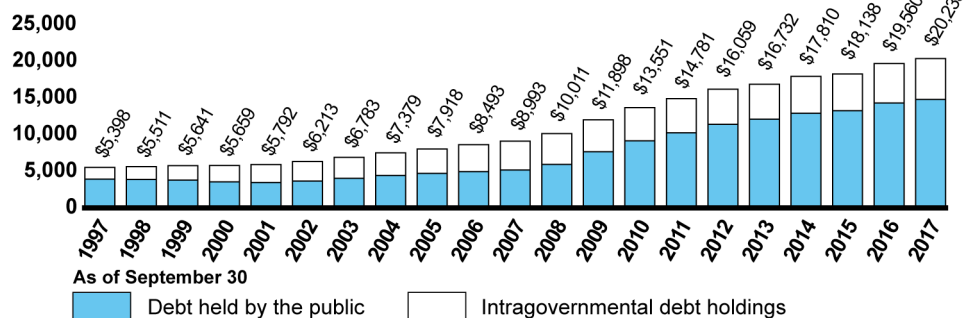
## What GAO Found

In GAO's opinion, the Bureau of the Fiscal Service's (Fiscal Service) Schedules of Federal Debt for fiscal years 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.

Total Federal Debt Outstanding, September 30, 1997, through September 30, 2017

Dollars in billions



Source: GAO analysis of Bureau of the Fiscal Service information. | GAO-18-134  
 Note: A small amount of total federal debt is not subject to the debt limit.

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, 2017, through September 7, 2017, to avoid exceeding the debt limit. Legislation temporarily suspending the debt limit was enacted on September 8, 2017, and Treasury restored the uninvested principal to the affected federal government accounts on that same day, thereby increasing the federal debt. The suspension of the debt limit is in effect through December 8, 2017. If an increase in the debt limit is not enacted by this date, then the debt limit will be increased by the change in qualifying federal debt securities outstanding on December 9, 2017, compared to those outstanding on September 8, 2017.

As GAO has previously reported, delays in raising the debt limit have created uncertainty and disruptions in the Treasury market and increased borrowing costs in both 2011 and 2013. GAO has suggested 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.