

GAO Highlights

Highlights of [GAO-19-113](#), 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 fairly presented 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-19-113](#). 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 2018 and 2017 Schedules of Federal Debt

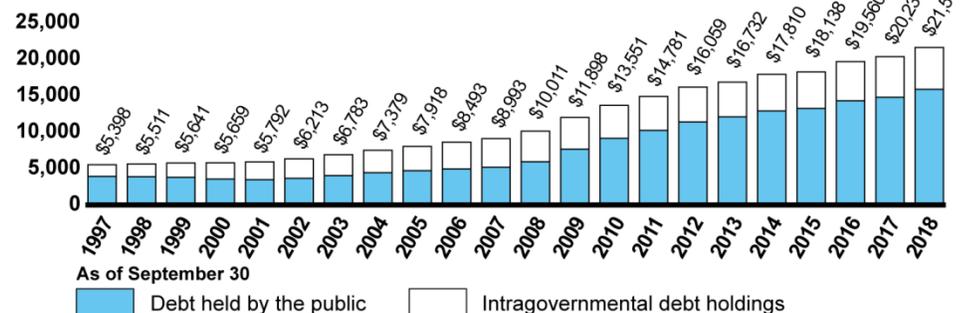
What GAO Found

In GAO's opinion, the Bureau of the Fiscal Service's (Fiscal Service) Schedules of Federal Debt for fiscal years 2018 and 2017 are 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, 2018. GAO's tests of selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt disclosed no instances of reportable noncompliance for fiscal year 2018. Although Fiscal Service made progress in addressing prior year deficiencies, unresolved and newly identified deficiencies continued to represent 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 attention by those charged with governance of Fiscal Service.

From fiscal year 1997, the first year of audit, through September 30, 2018, total federal debt managed by Fiscal Service has increased by 298 percent and the debt limit has been raised 18 times.

Total Federal Debt Outstanding, September 30, 1997, through September 30, 2018

Dollars in billions



Source: GAO analysis of Bureau of the Fiscal Service information. | GAO-19-113
 Note: A small amount of total federal debt is not subject to the debt limit.

During fiscal year 2018, total federal debt increased by about \$1.3 trillion, with about \$1.1 trillion of the increase in debt held by the public. The primary factor for the increase in debt held by the public was the federal deficit, which was reported as \$779 billion for fiscal year 2018—up from \$666 billion for fiscal year 2017. In fiscal year 2018, the debt limit was raised once and temporarily suspended for about 10 months. Additionally, interest on debt held by the public increased to \$357 billion in fiscal year 2018—up from \$296 billion in fiscal year 2017.

As GAO has previously reported, federal spending continues to outpace revenue. Absent action to address this structural imbalance, the federal government faces an unsustainable growth in debt. In addition, the debt limit is not a control on debt but rather an after-the-fact measure that restricts the Department of the Treasury's (Treasury) authority to borrow to finance decisions already enacted by Congress and the President. GAO has recommended that Congress consider alternative approaches for managing the level of debt.