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Comptroller General
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The President
The President of the Senate
The Speaker of the House of Representatives

Financial Audit: U.S. Government's Fiscal Years 2014 and 2013 Consolidated Financial Statements

This report transmits the results of GAO's audit of the U.S. government's fiscal years 2014 and 2013 consolidated financial statements. GAO's audit report is incorporated in the enclosed *Fiscal Year 2014 Financial Report of the United States Government* prepared by the U.S. Department of the Treasury.

The federal government reported a unified budget deficit of approximately $483 billion for fiscal year 2014, a decrease of about $197 billion from fiscal year 2013. However, the federal government continues to face an unsustainable long-term fiscal path. To operate as effectively and efficiently as possible and to make difficult decisions to address the federal government's fiscal challenges, Congress, the administration, and federal managers must have ready access to reliable and complete financial and performance information—both for individual federal entities and for the federal government as a whole. Further, when fully and effectively implemented, the Digital Accountability and Transparency Act of 2014 (DATA Act) will help promote transparency to the public and address ongoing government management challenges by enhancing the quality and expanding the availability of federal spending data. Having better data also will help federal entities make fully informed decisions about how federal resources should be allocated, and provide federal entities and the audit community with additional data analytic tools for detecting and preventing improper payments and fraudulent spending. Overall, significant progress has been made since the enactment of key federal financial management reforms in the 1990s; however, our report on the U.S. government's consolidated financial statements underscores that much work remains to improve federal financial management and these improvements are urgently needed.

Our audit report on the U.S. government's consolidated financial statements begins on page 225 of the enclosed financial report. In summary, we found the following:

- Certain material weaknesses[1] in internal control over financial reporting and other limitations on the scope of our work resulted in conditions that prevented us from expressing an opinion on the accrual-based consolidated financial statements as of and for the fiscal years

[1]A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

ended September 30, 2014, and 2013.[2] About 32 percent of the federal government's reported total assets as of September 30, 2014, and approximately 19 percent of the federal government's reported net cost for fiscal year 2014 relate to three Chief Financial Officers (CFO) Act agencies that as of the date of our audit report, either received disclaimers of opinion on their fiscal year 2014 financial statements or had not issued their audited fiscal year 2014 financial statements.[3]

- Significant uncertainties, primarily related to the achievement of projected reductions in Medicare cost growth reflected in the 2014, 2013, 2012, 2011, and 2010 Statements of Social Insurance, prevented us from expressing an opinion on those statements as well as on the 2014 and 2013 Statements of Changes in Social Insurance Amounts. About $28.5 trillion, or 68.0 percent, of the reported total present value of future expenditures in excess of future revenue presented in the 2014 Statement of Social Insurance relates to Medicare programs reported in the Department of Health and Human Services' (HHS) 2014 Statement of Social Insurance, which received a disclaimer of opinion.[4]

- Material weaknesses resulted in ineffective internal control over financial reporting for fiscal year 2014.

- Material weaknesses and other scope limitations discussed in our audit report limited our tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2014.

While significant progress has been made in improving federal financial management since the federal government began preparing consolidated financial statements 18 years ago, three major impediments continued to prevent us from rendering an opinion on the federal government's accrual-based consolidated financial statements over this period: (1) serious financial management problems at the Department of Defense (DOD) that have prevented its financial statements from being auditable, (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and (3) the federal government's ineffective process for preparing the consolidated financial statements.

Importantly, while almost all of the 24 CFO Act agencies received unmodified ("clean") opinions on their respective entities' fiscal year 2014 financial statements, DOD has consistently been unable to receive such an audit opinion on its financial statements. Following years of

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[2]The accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2014, and 2013, consist of the (1) Statements of Net Cost, (2) Statements of Operations and Changes in Net Position, (3) Reconciliations of Net Operating Cost and Unified Budget Deficit, (4) Statements of Changes in Cash Balance from Unified Budget and Other Activities, and (5) Balance Sheets, including the related notes to these financial statements. Most revenues are recorded on a modified cash basis. The 2014, 2013, 2012, 2011, and 2010 Statements of Social Insurance and the 2014 and 2013 Statements of Changes in Social Insurance Amounts, including the related notes, are also included in the consolidated financial statements.

[3]Of the 24 CFO Act agencies, the agencies that as of the date of our audit report, received disclaimers of opinion on all of their fiscal year 2014 financial statements were the Department of Defense and the U.S. Agency for International Development. As of the date of our audit report, the Department of Housing and Urban Development's audited financial statements for fiscal year 2014 had not been issued.

[4]Statements of Social Insurance are presented for the current year and each of the 4 preceding years in accordance with U.S. generally accepted accounting principles. Also, both the Statements of Social Insurance and the Statements of Changes in Social Insurance Amounts do not interrelate with the accrual-based consolidated financial statements.

unsuccessful financial improvement efforts, the DOD Comptroller established the Financial Improvement and Audit Readiness (FIAR) Directorate to develop, manage, and implement a strategic approach for addressing internal control weaknesses and for achieving auditability, and to integrate those efforts with other improvement activities, such as the department's business systems modernization efforts. DOD's current FIAR strategy and methodology focus on two priorities—budgetary information and asset accountability—with an overall goal of financial statement auditability department-wide by September 30, 2017.[5] Because budgetary information is widely and regularly used for management, one of DOD's highest interim priorities is to improve its budgetary information and processes underlying its Statement of Budgetary Resources (SBR).

Based on difficulties encountered in preparing for an audit of the SBR, DOD made a significant change to its FIAR Guidance that will limit the scope of the first-year SBR audits for all DOD components.[6] As outlined in the November 2014 FIAR Plan Status Report and the November 2013 revised FIAR Guidance, the scope of initial SBR audits beginning in fiscal year 2015 will be on current-year budget activity, to be reported on a Schedule of Budgetary Activity (SBA).[7] This would be an interim step toward achieving the audit of multiple-year budget activity required for an audit of the SBR. In making this strategic change, DOD officials concluded—based on the difficulties encountered in obtaining documentation for prior year transactions on the U.S. Marine Corps SBR audit—that the most effective path to an audit of the SBR would be to start with reporting and auditing only current-year activity for fiscal year 2015 appropriations and expanding subsequent audits to include current-year appropriations and prior appropriations going back to fiscal year 2015. Consequently, DOD has acknowledged that it did not meet the September 30, 2014 target date in the National Defense Authorization Act for Fiscal Year 2013, for validating the audit readiness of the SBR.[8] In addition, with regard to meeting its goal of financial statement auditability department-wide by September 30, 2017, the department has not, among other things, fully developed a strategy for (1) consolidating individual component financial statements into department-wide financial statements, and (2) accurately reporting certain assets and liabilities (e.g., Fund Balance with Treasury and Environmental and Disposal Liabilities).

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[5]Section 1003 of the National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, 123 Stat. 2190, 2439-41 (Oct. 28, 2009), made the development and maintenance of the FIAR Plan a statutory requirement. Under the act, the FIAR Plan must describe specific actions to be taken and the costs associated with ensuring that DOD's financial statements are validated as ready for audit by September 30, 2017. In addition, section 1005 of the National Defense Authorization Act for Fiscal Year 2013, Pub. L. No. 112-239, 126 Stat. 1632, 1904-05 (Jan. 2, 2013), enacted a requirement for DOD's FIAR Plan to describe specific actions to be taken and the costs associated with ensuring that one of DOD's financial statements, the Statement of Budgetary Resources, would be validated as ready for audit by September 30, 2014. More recently, section 1003 of the National Defense Authorization Act for Fiscal Year 2014, Pub. L. No. 113-66, 127 Stat. 672, 842 (Dec. 26, 2013) (*reprinted in* 10 U.S.C. § 2222 note), mandated an audit of DOD's fiscal year 2018 financial statements and that the audit results be submitted to Congress by March 31, 2019.

[6]The FIAR Guidance was first issued by the DOD Comptroller in May 2010 and provides a standardized methodology for DOD components to follow for achieving financial management improvements and auditability. The DOD Comptroller periodically updates this guidance.

[7]Certain DOD components, including the Army, Navy, and Air Force, are undergoing audits of their fiscal year 2015 SBAs. Unlike the SBR, which reflects multiple-year budget activity, the SBA will reflect the balances and associated activity related only to funding approved on or after October 1, 2014. As a result, the SBAs will exclude unobligated and unexpended amounts carried over from prior years' funding as well as information on the status and use of such funding in subsequent years (*e.g.*, obligations incurred and outlays).

[8]Pub. L. No. 112-239, § 1005(a), 126 Stat. 1632, 1904 (Jan. 2, 2013) (*reprinted in* 10 U.S.C. § 2222 note).

Various efforts are also under way to address the other two major impediments to an audit of the consolidated financial statements. For example, during fiscal year 2014, the Department of the Treasury (Treasury) continued to actively work with significant federal entities[9] to resolve differences in intragovernmental activity and balances between federal entities through its quarterly scorecard process.[10] This process highlights differences requiring the entities' attention, identifies differences that need to be resolved through a formal dispute resolution process,[11] and reinforces the entities' responsibilities to resolve intragovernmental differences. Treasury also incorporated activity and balances between federal entities and the General Fund of the U.S. Government (General Fund)[12] into the quarterly scorecards and began issuing a scorecard to the General Fund. Further, Treasury has implemented new systems to collect certain additional data from entities and to compile the consolidated financial statements, and implemented new procedures to address certain internal control deficiencies detailed in our previously issued report.[13] To help address the magnitude of the issues in these areas, it will be important that Treasury (1) has adequate systems and personnel and (2) continues to address our recommendation that Treasury, working in coordination with the Office of Management and Budget (OMB), include all key elements for preparing well-defined corrective action plans from the CFO Council's *Implementation Guide for OMB Circular A-123, Management's Responsibilities for Internal Control—Appendix A, Internal Control over Financial Reporting*, in Treasury's and OMB's corrective action plans. In addition to continued leadership by Treasury and OMB, strong and sustained commitment by federal entities is critical to fully address these issues.

The material weaknesses underlying these three major impediments continued to (1) hamper the federal government's ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; (2) affect the federal government's ability to reliably measure the full cost as well as the financial and nonfinancial performance of certain programs and activities; (3) impair the federal government's ability to adequately safeguard significant assets and properly record various transactions; and (4) hinder the federal government from having reliable financial information to operate in an efficient and effective manner.

In addition to the material weaknesses referred to above, we identified three other material weaknesses. These are the federal government's inability to (1) determine the full extent to which improper payments[14] occur and reasonably assure that appropriate actions are taken to

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[9]The Office of Management and Budget and Treasury have identified 37 federal entities that are significant to the U.S. government's consolidated financial statements, consisting of the 24 CFO Act agencies, several other federal executive branch agencies, and some government corporations.

[10]For each quarter, Treasury produces a scorecard for each significant entity that reports various aspects of the entity's intragovernmental differences with its trading partners, including the composition of the differences by trading partner and category. Entities are expected to resolve, with their respective trading partners, the differences identified in their scorecards.

[11]When an entity and respective trading partner cannot resolve an intragovernmental difference, the entity must request that Treasury resolve the dispute. Treasury will review the dispute and issue a decision on how to resolve the difference, which the entity must follow.

[12]The General Fund is a central reporting entity that tracks activities fundamental to funding the federal government (*e.g.,* issued budget authority, operating cash, and debt financing activities).

[13]GAO, *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-14-543 (Washington, D.C.: June 19, 2014).

[14]Federal entity reported estimates of improper payments totaled $124.7 billion in fiscal year 2014, an increase from the prior year estimate of $105.8 billion. This increase was mostly attributable to increased error rates in three programs: HHS's Medicare Fee-for-Service, HHS's Medicaid, and Treasury's Earned Income Tax Credit programs.

reduce them, (2) identify and resolve information security control deficiencies and manage information security risks on an ongoing basis, and (3) effectively manage its tax collection activities. Additional details concerning these material weaknesses and their effect on the accrual-based consolidated financial statements and on the management of federal government operations are presented in our audit report. Until the problems outlined in our audit report are adequately addressed, they will continue to have adverse implications for the federal government and American taxpayers.

The federal government reported a net operating cost of about $791 billion for fiscal year 2014 compared to the approximately $805 billion reported for fiscal year 2013. Increases in reported taxes and other revenues were almost fully offset by increases in reported net costs, resulting in the slight decrease in net operating cost. The reported unified budget deficit of approximately $483 billion for fiscal year 2014 was down from the approximately $680 billion reported for fiscal year 2013. The federal government's reported assets totaled about $3.1 trillion as of September 30, 2014, which was about $97 billion greater than the amount reported as of September 30, 2013. Its reported liabilities totaled about $20.8 trillion as of September 30, 2014, which was about $888 billion greater than the amount reported as of September 30, 2013. Most of the net increase in the federal government's reported assets and liabilities was due to student loans made by the Department of Education and a net increase in federal debt held by the public, respectively. As of September 30, 2014, federal debt held by the public totaled about 74 percent of gross domestic product (GDP). Additional details regarding the above-noted fluctuations and the federal government's financial condition can be found in the Management's Discussion and Analysis section of the *Fiscal Year 2014 Financial Report of the United States Government* (*2014 Financial Report*).

Importantly, there are risks that certain factors could affect the federal government's financial condition in the future, including the following:

- The U.S. Postal Service (USPS) continues to be in a serious financial crisis as it has reached its borrowing limit of $15 billion and finished fiscal year 2014 with a reported net loss of $5.5 billion.

- The Federal Housing Administration's (FHA) mortgage insurance portfolio totaled about $1.2 trillion as of September 30, 2014. Distressed housing and mortgage markets expanded FHA's role in the mortgage market, while leading to deterioration in the agency's financial condition. Its Mutual Mortgage Insurance Fund has been out of compliance with the fund's 2 percent statutory capital requirement since fiscal year 2009. FHA's financial condition may be further affected by the ultimate roles of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) in the mortgage market.

- The Pension Benefit Guaranty Corporation's (PBGC) financial future is uncertain because of long-term challenges related to PBGC's governance and funding structure. PBGC's liabilities exceeded its assets by about $62 billion as of September 30, 2014—an increase of over $26 billion from the end of fiscal year 2013. PBGC reported that it is subject to further losses if plan terminations that are considered reasonably possible occur.

- Several initiatives undertaken during the last 6 years by the Board of Governors of the Federal Reserve System to stabilize the financial markets have led to a significant change in the composition and size of reported securities on the Federal Reserve's balance sheet. The value of these securities, which include Treasury securities and mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac, and the Government National Mortgage Association (Ginnie Mae), is subject to interest rate risk and may decline or increase depending on interest rate changes. If the Federal Reserve sells these securities at a loss, future payments of Federal Reserve earnings to the federal government may be reduced.[15]

Every 2 years, GAO provides Congress with an update on its High-Risk Series, which highlights federal entities and program areas that are high risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement or are most in need of broad reform. We issued our updated High-Risk Series on February 11, 2015.[16] GAO's High-Risk Series includes several of the above-noted issues, such as DOD financial management, information security, USPS's business model, FHA, and the PBGC insurance programs.

While the near-term outlook improved, the comprehensive long-term fiscal projections presented in the unaudited Required Supplementary Information section of the *2014 Financial Report* show that absent policy changes, the federal government continues to face an unsustainable long-term fiscal path. In the near term, deficits are expected to continue to decline from the recent historic highs as the economy further recovers and actions taken by Congress and the President continue to take effect. Over the long term, the imbalance between spending and revenue that is built into current law and policy will lead to continued growth of debt held by the public as a share of GDP. This situation—in which debt grows faster than GDP—means the current federal fiscal path is unsustainable.

Under these projections, spending for the major health and retirement programs will increase in coming decades more rapidly than GDP as more members of the baby boom generation become eligible for benefits. These projections, with regard to Social Security and Medicare, are based on the same assumptions underlying the information presented in the Statement of Social Insurance and assume that the provisions enacted in the Patient Protection and Affordable Care Act, as amended (ACA) designed to slow the growth of Medicare costs are sustained and remain effective throughout the projection period.[17] If, however, the Medicare cost containment measures are not sustained over the long term—a concern expressed by the Trustees of the Medicare trust funds, the Centers for Medicare & Medicaid Services' (CMS) Chief Actuary, the Congressional Budget Office, and others—spending on federal health care programs will grow more rapidly.

[15]Under Federal Reserve System policy, excess Federal Reserve Bank earnings are paid to the federal government. The federal government reported such net earnings of about $99 billion for fiscal year 2014, still well above its historical levels.

[16]GAO, *High-Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

[17]Pub. L. No. 111-148, 124 Stat. 119 (Mar. 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (Mar. 30, 2010).

GAO also prepares long-term federal fiscal simulations, which continue to show debt rising as a share of GDP.[18] Under GAO's Alternative simulation,[19] using the CMS Office of the Actuary's alternative health care cost projections, future spending in excess of receipts would be greater and debt held by the public as a share of GDP would grow more quickly than the projections in the *2014 Financial Report*.

Both the projections in the *2014 Financial Report* and our long-term simulations follow the spending limits previously enacted in the Budget Control Act of 2011 (BCA).[20] Under these limits, discretionary spending will continue to decline as a share of the economy and in fiscal year 2021 will be lower as a share of GDP than any level seen in the last 50 years. At the same time, revenues are projected to rise in the near term as the economy continues to recover.

Debt held by the public as a share of GDP, however, remains well above historical averages. At the end of fiscal year 2014, debt held by the public reached 74 percent of GDP—the highest it has been as a share of GDP since 1950. Debt held by the public at these high levels could limit the federal government's flexibility to address emerging issues and unforeseen challenges, such as another economic downturn or large-scale natural disaster. Further, our past work has also identified a variety of fiscal exposures—responsibilities, programs, and activities that explicitly or implicitly expose the federal government to future spending.[21] Fiscal exposures vary widely as to source, extent of the government's legal commitment, and magnitude. Over the past decade, some fiscal exposures have grown due to events and trends and the government's response to them. Increased attention to these fiscal exposures will be important for understanding risks to the federal fiscal outlook and enhancing oversight of federal resources.

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[18]GAO, *Fiscal Outlook: Federal Fiscal Outlook* (Spring 2014) (Washington, D.C.: 2014), accessed on February 19, 2015, http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview.

[19]GAO's Spring 2014 Alternative simulation, the most recent one available as of the date of our audit report, incorporates the CMS Office of the Actuary's 2013 alternative projections for health care cost growth, which assume physician payments are not reduced as specified under current law and certain cost controls are not maintained over the long term. Also, in this simulation, expiring tax provisions, such as the research and experimentation tax credit, are extended to 2024. In the Alternative simulation, discretionary spending follows the original discretionary spending caps set by the Budget Control Act of 2011, but not the lower caps triggered by the automatic enforcement procedures. Over the long term, discretionary spending and revenue are held at their historical average share of GDP.

[20]The BCA, Pub. L. No. 112-25, 125 Stat. 240 (Aug. 2, 2011), which enacted changes to the Balanced Budget and Emergency Deficit Control Act, as amended (BBEDCA), imposed discretionary spending limits for fiscal years 2012 through 2021 to reduce projected spending by about $1 trillion. The BCA also established the Joint Select Committee on Deficit Reduction, which was tasked with proposing legislation to reduce the deficit by an additional $1.2 trillion through fiscal year 2021. The Joint Committee did not report a proposal, and Congress and the President did not enact legislation. This triggered the sequestration process in section 251A of BBEDCA. Section 251A also provides for an annual reduction of the discretionary spending limits and a sequestration of direct spending from fiscal years 2014 through 2021. The Bipartisan Budget Act of 2013 (budget agreement), which enacted further changes to BBEDCA, as amended, established new (higher) limits on defense and nondefense discretionary appropriations for fiscal years 2014 and 2015, extended sequestration for direct spending programs by 2 years through fiscal year 2023, and made other changes to direct spending and revenue. Pub. L. No. 113-67, div. A, tit. I, § 101,127 Stat. 1165, 1166-69 (Dec. 26, 2013). In all, BBEDCA, as amended through December 2013, reduced deficits over the next 10 years in our Spring 2014 Baseline Extended simulation without significantly changing the long-term federal budget outlook. In 2014, sequestration for direct spending programs was extended by 1 year to fiscal year 2024. Pub. L. No. 113-82, § 1, 128 Stat. 1009 (Feb. 15, 2014). The Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, 128 Stat. 2130 (Dec. 16, 2014), enacted discretionary appropriations for fiscal year 2015 consistent with BBEDCA. Our updated simulations for 2015 will incorporate the effects of more recently enacted amendments to BBEDCA.

[21]GAO, *Fiscal Outlook: Federal Fiscal Outlook* (Washington, D.C.: 2015), accessed on February 19, 2015, http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview#t=3 and *Fiscal Exposures: Improving Cost Recognition in the Federal Budget*, GAO-14-28 (Washington, D.C.: Oct. 29, 2013).

During fiscal year 2014, delays in raising the debt limit occurred for a total of 16 business days. During the delays, Treasury deviated from its normal debt management operations and took a number of extraordinary actions—consistent with relevant laws and regulations—to avoid exceeding the debt limit.[22] Also, the debt limit was suspended for the periods of (1) October 17, 2013, through February 7, 2014, by the Continuing Appropriations Act, 2014,[23] and (2) February 15, 2014 through March 15, 2015, by the Temporary Debt Limit Extension Act.[24] If an increase in the debt limit is not enacted before the end of the current suspension period, consistent with the Temporary Debt Limit Extension Act, the debt limit will be increased to the amount of qualifying federal debt outstanding on March 16, 2015.

As we have previously reported, the debt limit does not restrict Congress's ability to enact spending and revenue legislation that affects the level of federal debt or otherwise constrain fiscal policy; it restricts Treasury's authority to borrow to finance the decisions already enacted by Congress and the President.[25] The United States benefits from the confidence investors have that debt backed by the full faith and credit of the United States will be honored. Because Treasury securities are viewed as one of the safest assets in the world, they are broadly held by individuals—often in pension funds or mutual funds—and by institutions and central banks for use in everyday transactions. Treasury securities are also the cheapest and one of the most widely used forms of collateral for financial transactions. In many ways U.S. Treasury securities are the underpinning of the world financial system. As we have also previously reported, delays in raising the debt limit can create uncertainty in the Treasury market. To avoid such uncertainty and the disruption to the Treasury market that it creates as well as to help inform the fiscal policy debate in a timely way, we have suggested in our February 2011 and July 2012 reports related to the debt limit that Congress should consider ways to better link decisions about the debt limit with decisions about spending and revenue at the time those decisions are made.[26]

Our audit report on the U.S. government's consolidated financial statements would not be possible without the commitment and professionalism of inspectors general throughout the federal government who are responsible for annually auditing the financial statements of individual federal entities. We also appreciate the cooperation and assistance of Treasury and OMB officials as well as the federal entities' chief financial officers. We look forward to continuing to work with these individuals, the administration, and Congress to achieve the goals and objectives of federal financial management reform.

Our guide to the *Financial Report of the United States Government* (*Financial Report*) is intended to help those who seek to obtain a better understanding of the *Financial Report* and is

[22]Treasury considers actions that are not part of its normal cash and debt management operations to be "extraordinary actions."

[23]Pub. L. No. 113-46, § 1002, 127 Stat. 558, 566-67 (Oct. 17, 2013).

[24]Pub. L. No. 113-83, § 2, 128 Stat. 1011 (Feb. 15, 2014).

[25]GAO, *Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs*, GAO-12-701 (Washington, D.C.: July 23, 2012), and *Debt Limit: Delays Create Debt Management Challenges and Increase Uncertainty in the Treasury Market*, GAO-11-203 (Washington, D.C.: Feb. 22, 2011).

[26]GAO-12-701, GAO-11-203.

available on GAO's website at www.gao.gov.[27] In addition, the website includes a guide to understanding the differences between accrual and cash measures of the deficit and provides a useful perspective on the different purposes that cash and accrual measures serve in providing a comprehensive picture of the federal government's fiscal condition today and over time.[28]

We are sending copies of this report to the Majority and Minority Leaders of the U.S. Senate and House of Representatives, interested congressional committees, the Secretary of the Treasury, the Director of the Office of Management and Budget, and other agency officials. This report is also available at no charge on the GAO website at http://www.gao.gov.

This report was prepared under the direction of Robert F. Dacey, Chief Accountant, and Gary T. Engel, Director, Financial Management and Assurance. Questions about this report can be directed to Mr. Dacey at (202) 512-3406 or daceyr@gao.gov or Mr. Engel at (202) 512-3406 or engelg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

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Enclosure

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[27]GAO, *Understanding the Primary Components of the Annual Financial Report of the United States Government*, GAO-09-946SP (Washington, D.C.: September 2009).

[28]See http://www.gao.gov/special.pubs/longterm/deficit/, which is based on information in GAO, *Understanding Similarities and Differences between Accrual and Cash Deficits*, GAO-07-117SP (Washington, D.C.: December 2006). In January 2007 and 2008, we issued updates to this guide for fiscal years 2006 and 2007; see GAO-07-341SP (Washington, D.C.: January 2007) and GAO-08-410SP (Washington, D.C.: January 2008).