United States General Accounting Office

GAO

Report to the Secretary of the Treasury

March 2000

FINANCIAL AUDIT

Bureau of the Public Debt's Fiscal Years 1999 and 1998 Schedules of Federal Debt

GAO/AIMD-00-79

Contents

Abbreviations

BPD	Bureau of the Public Debt
OMB	Office of Management and Budget

United States General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-282643

March 1, 2000

The Honorable Lawrence H. Summers
The Secretary of the Treasury

Dear Mr. Secretary:

This report presents the results of our audits of the Schedules of Federal Debt Managed by the Bureau of the Public Debt for the fiscal years ended September 30, 1999 and 1998. The Schedules of Federal Debt present the beginning balances, increases and decreases, and ending balances for (1) Federal Debt Held by the Public and Federal Debt Held by Federal Entities, (2) the related Accrued Interest Payables, and (3) the related Net Unamortized Discounts and Premiums, managed by the bureau.

As of September 30, 1999 and 1998, federal debt managed by the bureau totaled about $5.6 trillion and $5.5 trillion, respectively, for monies borrowed to fund the government's operations. These balances consisted of approximately (1) $3.6 trillion as of September 30, 1999, and $3.8 trillion as of September 30, 1998, owed to the public and about (2) $2.0 trillion as of September 30, 1999, and $1.7 trillion as of September 30, 1998, owed to federal entities, such as the Social Security Trust funds. Total interest expense for fiscal years 1999 and 1998 was $356 billion and $363 billion, respectively. These amounts consisted of (1) $230 billion and $243 billion of interest expense on debt owed to the public for fiscal years 1999 and 1998, respectively, and (2) $126 billion and $120 billion of interest expense on debt owed to federal entities for fiscal years 1999 and 1998, respectively.

This report contains our (1) opinion on the Schedules of Federal Debt for the fiscal years ended September 30, 1999 and 1998, (2) opinion on the effectiveness of related internal control as of September 30, 1999, and (3) conclusion on the bureau's compliance in fiscal year 1999 with a selected provision of a significant law we tested.

The level of debt held by the public reflects how much of the nation's wealth is absorbed by the federal government to finance its obligations. It best represents the cumulative effect of past federal borrowing on today's economy and the federal budget. Debt held by federal entities primarily represents balances in the Social Security and federal civilian employee and military retirement trust funds, which account for almost 74 percent of the debt held by federal entities. The money is invested in special U.S. Treasury securities that are guaranteed for principal and interest by the full faith and credit of the U.S. government. These trust funds have been running annual surpluses, which are loaned to the Treasury and reduce the need for the government to borrow from the public today. The transactions net out on the government's consolidated financial statements because, in effect, they represent loans from one part of the government to another. However, they also constitute future obligations of the Treasury since the Treasury must pay back debt held by federal entities when these entities need to redeem their Treasury security holdings. Interest on Treasury securities held by federal entities may be used for outlays by the entity or invested in additional Treasury securities.

Debt held by the public and debt held by federal entities are very different. Debt held by the public approximates the federal government's competition with other sectors in the credit markets. This competition affects current interest rates and private capital accumulation. In addition, interest on debt held by the public is a current burden on taxpayers. In contrast, debt held by federal entities performs an accounting function, but it typically does not constitute the government's total future commitment to trust fund financed programs. It represents the cumulative annual surpluses of those trust funds plus accrued interest and also reflects a future claim on the U.S. Treasury. It does not have the current economic effects of borrowing from the public and does not currently compete with the private sector for available funds in the credit market. However, when trust funds redeem Treasury securities to obtain cash to fund expenditures, they compete with the private sector and thus have an effect on the economy.

As we reported in May 1999,[1] although the federal government has carried debt throughout virtually all of U.S. history, large annual budget deficits over the past two decades sharply increased the total amount of debt owed to the public and its associated annual interest payments. Policymakers responded to the historically high debt levels in recent years by passing several deficit reduction initiatives. These actions, along with economic growth, helped shrink annual deficits and bring about the 1999 and 1998 surpluses.

[1] *Federal Debt: Answers to Frequently Asked Questions—An Update* (GAO/OCG-99-27, May 28, 1999).

Even after 2 years of budgetary surpluses, debt held by the public stands at about 40 percent of the annual size of the U.S. economy, a level that the United States rarely exceeded before 1940. However, the projected surpluses, if they materialize, would lead to a further reduction in debt held by the public. Over the longer term, the retirement of the baby boom generation will place additional pressures on the budget. These pressures—including, for example, increasing demand for health services—will require further action to prevent debt held by the public from rising again in future decades.

We are sending copies of this report to Senator Ted Stevens, Senator Robert Byrd, Senator Ben Nighthorse Campbell, Senator Byron Dorgan, Senator William Roth, Senator Daniel Moynihan, Senator Fred Thompson, Senator Joseph Lieberman, Senator Pete Domenici, Senator Frank Lautenburg, and to Representative C.W. Bill Young, Representative David Obey, Representative Jim Kolbe, Representative Steny Hoyer, Representative Bill Archer, Representative Charles Rangel, Representative Dan Burton, Representative Henry Waxman, Representative Stephen Horn, Representative Jim Turner, Representative John Kasich, and Representative John Spratt in their capacities as Chairmen or Ranking Minority Members of Sentate or House Committees and Subcommittees. We are also sending copies of this report to Mr. Van Zeck, Commissioner, Bureau of the Public Debt; the Honorable Jeffrey Rush, Jr., Inspector General, Department of the Treasury; the Honorable Jacob Lew, Director, Office of Management and Budget; and other agency officials. Copies will be made available to others upon request.

If I can be of further assistance, please call me at (202) 512-5500. This report was prepared under the direction of Gary T. Engel, Associate Director, Governmentwide Accounting and Financial Management Issues, Accounting and Information Management Division. Should you or members of your staff have any questions concerning this report, please contact Mr. Engel at (202) 512-3406. Another key contact and staff acknowledgements are in appendix II.

Sincerely yours,

David M. Walker
Comptroller General
of the United States

United States General Accounting Office
Washington, D.C. 20548

B-282643

To the Commissioner of the Bureau of the Public Debt

In connection with fulfilling our requirement to audit the financial statements of the U.S. government, we audited the federal debt managed by the Bureau of the Public Debt (BPD) due to the significance of the federal debt on the federal government's financial statements.[1]

This report presents the results of our audits of the Schedules of Federal Debt Managed by BPD for the fiscal years ended September 30, 1999 and 1998. The Schedules of Federal Debt present the beginning balances, increases and decreases, and ending balances for (1) Federal Debt Held by the Public and Federal Debt Held by Federal Entities, (2) the related Accrued Interest Payables, and (3) the related Net Unamortized Discounts and Premiums, managed by BPD.

In our audits of the Schedules of Federal Debt for the fiscal years ended September 30, 1999 and 1998, we found

- the Schedules of Federal Debt are presented fairly in conformity with generally accepted accounting principles,
- BPD had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations related to the Schedule of Federal Debt for the fiscal year ended September 30, 1999, and
- no reportable noncompliance in fiscal year 1999 with a selected provision of a law we tested.

The following sections discuss, in more detail, these conclusions and the scope of our audits.

Opinion on Schedules of Federal Debt

The Schedules of Federal Debt including the accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the balances as of September 30, 1999, 1998, and 1997, for Federal Debt managed by BPD, the related Accrued Interest Payables and Net Unamortized Discounts and Premiums, and the related

[1]31 U.S.C. 331(e) (1994).

increases and decreases for the fiscal years ended September 30, 1999 and 1998.

Opinion on Internal Control

BPD maintained, in all material respects, effective internal control over financial reporting and compliance as of September 30, 1999, that provided reasonable assurance that misstatements, losses, or noncompliance, material in relation to the Schedule of Federal Debt for the fiscal year ended September 30, 1999, would be prevented or detected on a timely basis. Management asserted that its internal control is effective based on criteria established under the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget (OMB) Circular A-123, *Management Accountability and Control*.

We found matters involving computer controls that we do not consider to be reportable conditions.[2] We will communicate these matters separately to BPD's management, along with our suggestions for improvement.

Compliance With Laws and Regulations

Our tests for compliance in fiscal year 1999 with Statutory Debt Limits, 31 U.S.C. 3101(b), as amended, disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards or OMB Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended. However, the objective of our audit of the Schedule of Federal Debt for the fiscal year ended September 30, 1999, was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

Management is responsible for

- preparing the Schedules of Federal Debt in conformity with generally accepted accounting principles;

[2] Reportable conditions are matters coming to our attention that, in our judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to meet the objectives of reliable financial reporting and compliance with applicable laws and regulations.

- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act of 1982 are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the Schedules of Federal Debt are presented fairly, in all material respects, in conformity with generally accepted accounting principles and (2) management maintained effective related internal control as of September 30, 1999, the objectives of which are

- financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of the Schedule of Federal Debt for the fiscal year ended September 30, 1999, in conformity with generally accepted accounting principles and assets are safeguarded, as reflected in note 5 of the Schedules of Federal Debt, against loss from unauthorized acquisition, use, or disposition, and
- compliance with laws and regulations – transactions on the Schedule of Federal Debt for the fiscal year ended September 30, 1999, are executed in accordance with laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the Schedules of Federal Debt and any other laws, regulations, and governmentwide policies identified by OMB Bulletin No. 98-08, Appendix C, as amended.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the Schedules of Federal Debt.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Federal Debt;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the Schedules of Federal Debt;
- obtained an understanding of internal control relevant to the Schedule of Federal Debt for the fiscal year ended September 30, 1999, and related to financial reporting, including safeguarding assets, as reflected in note 5 to the schedules, and compliance with laws and regulations, including execution of transactions in accordance with budget authority;

- tested relevant internal controls over financial reporting, including safeguarding assets, as reflected in note 5 to the schedules, and compliance, and evaluated the design and operating effectiveness of internal control related to the Schedule of Federal Debt for the fiscal year ended September 30, 1999;
- considered the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act of 1982; and
- tested compliance in fiscal year 1999 with Statutory Debt Limits, 31 U.S.C 3101(b), as amended.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to BPD. We limited our tests of compliance to those required by OMB Bulletin No. 98-08, as amended, and which we deemed applicable to the Schedule of Federal Debt for the fiscal year ended September 30, 1999. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We did our work in accordance with generally accepted government auditing standards and applicable OMB guidance.

Agency Comments

In commenting on a draft of this report (see appendix I), BPD concurred with the facts and conclusions in our report.

David M. Walker
Comptroller General
of the United States

January 28, 2000

Schedules and Notes

Schedules of Federal Debt

Schedules of Federal Debt
Managed by the Bureau of the Public Debt
For the Fiscal Years Ended September 30, 1999 and 1998
(Dollars in Millions)

	Federal Debt					
	Held by the Public			Held by Federal Entities		
	Principal (Note 2)	Accrued Interest Payable	Net Unamortized Discounts	Principal (Note 3)	Accrued Interest Payable	Net Unamortized Premiums/ (Discounts)
Balance as of September 30, 1997	$3,814,687	$46,052	($70,252)	$1,583,459	$28,924	$12,215
Increases						
Borrowings from the Public	2,127,992		(34,338)			
Net Increase in Amounts Borrowed from Federal Entities				166,512		(6,877)
Accrued Interest (Note 4)		205,215			120,858	
Total Increases	2,127,992	205,215	(34,338)	166,512	120,858	(6,877)
Decreases						
Repayments of Debt Held by the Public	2,181,457					
Interest Paid		205,837			119,268	
Net Amortization (Note 4)			(37,870)			611
Total Decreases	2,181,457	205,837	(37,870)	0	119,268	611
Balance as of September 30, 1998	$3,761,222	$45,430	($66,720)	$1,749,971	$30,514	$4,727
Increases						
Borrowings from the Public	2,159,683		(29,695)			
Net Increase in Amounts Borrowed from Federal Entities				222,920		(4,278)
Accrued Interest (Note 4)		196,448			127,517	
Total Increases	2,159,683	196,448	(29,695)	222,920	127,517	(4,278)
Decreases						
Repayments of Debt Held by the Public	2,252,525					
Interest Paid		199,290			125,243	
Net Amortization (Note 4)			(33,619)			2,048
Total Decreases	2,252,525	199,290	(33,619)	0	125,243	2,048
Balance as of September 30, 1999	$3,668,380	$42,588	($62,796)	$1,972,891	$32,788	($1,599)

The accompanying notes are an integral part of these schedules.

Notes to the Schedules of Federal Debt

Notes to the Schedules of Federal Debt Managed by the Bureau of the Public Debt

For the Fiscal Years Ended September 30, 1999 and 1998

(Dollars in Millions)

Note 1. Significant Accounting Policies

Basis of Presentation

The Schedules of Federal Debt Managed by the Bureau of the Public Debt have been prepared to report fiscal year 1999 and 1998 balances and activity relating to monies borrowed from the public and federal entities to fund the U.S. government's operations. All fiscal year end balances reported on the Schedules of Federal Debt are not covered by budgetary resources.

Reporting Entity

The Constitution empowers Congress to borrow money on the credit of the United States. Congress has authorized the Secretary of the Treasury to borrow monies to operate the federal government. Within Treasury, BPD is responsible for issuing Treasury securities in accordance with such authority and to account for the resulting debt. Title 31 U.S.C. authorizes BPD, an organizational entity within the Fiscal Service of the Department of the Treasury, to prescribe the debt instruments and otherwise limit and restrict the amount and composition of the debt. In addition, BPD has been given the responsibility to issue Treasury securities to trust funds for trust fund receipts not needed for current benefits and expenses. BPD issues and redeems Treasury securities for the trust funds based on data provided by program agencies and other Treasury entities.

Basis of Accounting

The schedules were prepared in conformity with generally accepted accounting principles and from BPD's automated accounting system, Public Debt Accounting and Reporting System. Interest costs are recorded as expenses when incurred, instead of when paid. Certain Treasury securities are issued at a discount or premium. These discounts and premiums are amortized over the term of the security using the effective interest method for zero-coupon bonds and the straight line method, which is not materially different from the effective interest method, for the other securities. The Department of the Treasury also issues inflation-indexed securities. Inflation-indexed securities accrue principal over the life of the security based on the Consumer Price Index for all Urban Consumers.

Budgetary Authority

Permanent, indefinite appropriations are available for the payment of interest on the federal debt and on the redemption of Treasury securities.

Notes to the Schedules of Federal Debt Managed by the Bureau of the Public Debt

For the Fiscal Years Ended September 30, 1999 and 1998

(Dollars in Millions)

Note 2. Federal Debt Held by the Public

As of September 30, 1999 and 1998, Federal Debt Held by the Public consisted of the following:

	1999		1998	
	Amount	Average Interest Rates	Amount	Average Interest Rates
Marketable:				
Treasury Bills	$653,165	4.9%	$637,648	5.2%
Treasury Notes	1,896,427	6.0%	2,051,046	6.2%
Treasury Bonds	667,359	8.4%	625,675	8.6%
Total Marketable	$3,216,951		$3,314,369	
Nonmarketable	$451,429	6.1%	$446,853	6.2%
Total Federal Debt Held by the Public	$3,668,380		$3,761,222	

Treasury issues marketable bills at a discount and pays the par amount of the security upon maturity. The average interest rate on a Treasury bill represents the average effective yield on the security. Treasury bills are issued with a term of 1 year or less.

Treasury issues marketable notes and bonds as long term securities that pay semi-annual interest based on the security's stated interest rate. These securities are issued at either par value or at an amount that reflects a discount or a premium. The average interest rate on marketable notes and bonds represents the stated interest rate adjusted by any discount or premium. Treasury notes are issued with a term of 2 – 10 years and Treasury bonds are issued with a term of more than 10 years. As of September 30, 1999, Treasury marketable notes included $67,589 million of inflation-indexed notes and Treasury marketable bonds included $24,776 million of inflation-indexed bonds. As of September 30, 1998, Treasury marketable notes included $41,863 million of inflation-indexed notes and Treasury marketable bonds included $16,960 million of inflation-index bonds.

As of September 30, 1999, nonmarketable securities primarily consisted of $186,333 million in U.S. Savings Securities, $168,091 million in securities issued to State and Local Governments, $30,970 million in Foreign Series Securities, and $29,995 million in Domestic Series Securities. As of September 30, 1998, nonmarketable securities primarily consisted of $186,006 million in U.S. Savings Securities, $164,431 million in securities issued to State and Local Governments, $35,079 million in Foreign Series Securities, and $29,995 million in Domestic Series Securities. Treasury issues nonmarketable securities at either par value or at an amount that reflects a discount or a premium. The average interest rate on the nonmarketable securities represents the weighted effective yield. Nonmarketable securities are issued with a term of on demand to more than 10 years.

Government Account Series (GAS) securities are nonmarketable securities issued to federal entities. Federal Debt Held by the Public includes GAS securities issued to certain federal entities. One example is the GAS security held by the Thrift Savings Fund. Federal employees and retirees who have individual accounts own the GAS securities

Notes to the Schedules of Federal Debt Managed by the Bureau of the Public Debt

For the Fiscal Years Ended September 30, 1999 and 1998

(Dollars in Millions)

Note 2. Federal Debt Held by the Public (continued)

held by the fund. For this reason, the fund is considered part of the Federal Debt Held by the Public rather than Federal Debt Held by Federal Entities. Also, the GAS securities held by the Thrift Savings Fund consist of overnight investments redeemed one business day after their issue. The net increase in amounts borrowed from the fund during fiscal years 1999 and 1998 are included in the respective Borrowings from the Public amounts reported on the Schedules of Federal Debt.

Federal Debt Held by the Public includes federal debt held outside of the U. S. government by individuals, corporations, Federal Reserve Banks (FRB), state and local governments, and foreign governments and central banks. The FRB owned $515 billion and $478 billion of Federal Debt Held by the Public as of September 30, 1999 and 1998, respectively. These securities are held in the FRB System Open Market Account (SOMA) for the purpose of conducting monetary policy.

Note 3. Federal Debt Held by Federal Entities

As of September 30, 1999 and 1998, Federal Debt Held by Federal Entities is owed to the following:

		1999	1998
SSA:	Federal Old-Age and Survivors Insurance Trust Fund	$762,226	$653,282
OPM:	Civil Service Retirement and Disability Fund	465,640*	431,757*
HHS:	Federal Hospital Insurance Trust Fund	153,767	118,250
DOD:	Military Retirement Fund	141,274	133,843
SSA:	Federal Disability Insurance Trust Fund	92,666*	76,996*
DOL:	Unemployment Trust Fund	77,358	70,641*
FDIC:	The Bank Insurance Fund	28,359	27,445
DOT:	Highway Trust Fund	28,083	17,926
HHS:	Federal Supplementary Medical Insurance Trust Fund	26,528	39,502
RRB:	Railroad Retirement Account	22,347	19,764
OPM:	Employees' Life Insurance Fund	20,755	19,377
DOE:	Nuclear Waste Disposal Fund	15,195	11,169
HUD:	FHA – Liquidating Account	14,942	14,344
DOT:	Airport & Airway Trust Fund	12,414	8,550
Treasury:	Exchange Stabilization Fund	12,382	15,981
VA:	National Service Life Insurance Fund	11,954	12,008
FDIC:	Savings Association Insurance Fund (SAIF)	10,144	9,602
DOS:	Foreign Service Retirement & Disability Fund	10,131	9,550
Other Programs and Funds		66,726	59,984
Total Federal Debt Held By Federal Entities		$1,972,891	$1,749,971

* These amounts include marketable Treasury securities as well as GAS securities as follows:

Notes to the Schedules of Federal Debt Managed by the Bureau of the Public Debt
For the Fiscal Years Ended September 30, 1999 and 1998
(Dollars in Millions)

Note 3. Federal Debt Held by Federal Entities (continued)

	GAS Securities	Marketable Treasury Securities	Total
As of September 30, 1999:			
Civil Service Retirement and Disability Fund	$464,561	1,079	465,640
Federal Disability Insurance Trust Fund	92,622	44	92,666
As of September 30, 1998:			
Civil Service Retirement and Disability Fund	$430,595	$1,162	$431,757
Federal Disability Insurance Trust Fund	76,947	49	76,996
Unemployment Trust Fund	70,598	43	70,641

Social Security Administration (SSA); Office of Personnel Management (OPM); Department of Health and Human Services (HHS); Department of Defense (DOD); Department of Labor (DOL); Federal Deposit Insurance Corporation (FDIC); Department of Transportation (DOT); Railroad Retirement Board (RRB); Department of Energy (DOE); Department of Housing and Urban Development (HUD); Department of the Treasury (Treasury); Department of Veterans Affairs (VA); Department of State (DOS).

Federal Debt Held by Federal Entities primarily consists of GAS securities. Treasury issues GAS securities at either par value or at an amount that reflects a discount or a premium. The average interest rates for fiscal years 1999 and 1998 were 6.8 percent and 7.1 percent, respectively. GAS securities are issued with a term of on demand to 30 years.

Note 4. Interest Expense

Interest expense on Federal Debt Managed by BPD for fiscal years 1999 and 1998 consisted of the following:

	1999	1998
Federal Debt Held by the Public		
Accrued Interest	$196,448	$205,215
Net Amortization of Premiums and Discounts	33,619	37,870
Total Interest Expense on Federal Debt Held by the Public	230,067	243,085
Federal Debt Held by Federal Entities		
Accrued Interest	127,517	120,858
Net Amortization of Premiums and Discounts	(2,048)	(611)
Total Interest Expense on Federal Debt Held by Federal Entities	125,469	120,247
Total Interest Expense on Federal Debt Managed by BPD	$355,536	$363,332

Notes to the Schedules of Federal Debt Managed by the Bureau of the Public Debt

For the Fiscal Years Ended September 30, 1999 and 1998

(Dollars in Millions)

Note 5. Fund Balance With Treasury

	As of September 30, 1999	As of September 30, 1998 pro forma (unaudited)	As of September 30, 1998 actual
Appropriated Funds Obligated	$117	$209	$45,652

Prior to fiscal year 1999, interest accruals on Federal Debt Held by the Public were charged over the life of the security to the Interest on Public Debt appropriation. These amounts were included in BPD's Fund Balance With Treasury (FBWT), a non-entity, intragovernmental account, until the semi-annual interest payments were disbursed. Effective October 1, 1998, interest accruals are no longer charged to the Interest on Public Debt appropriation. Instead, the interest is charged to the appropriation when paid. Therefore, the interest accruals are no longer included in BPD's FBWT. The pro forma amount of appropriated funds obligated as of September 30, 1998, represents the FBWT amount had this change in operating procedure been effective in fiscal year 1998.

The FBWT and other debt related accounts are not included on the Schedule of Federal Debt and are presented for informational purposes.

Note 6. Other Debt Related Balances

As of September 30, 1999 and 1998, other debt related balances consisted of the following:

	1999	1998
Accounts Receivable from Overpayments	$7	$6
Advances Received for Purchases of Federal Debt	(24)	(123)
Other Miscellaneous Balances	(91)	(82)
Total Other Debt Related Balances	($108)	($199)

Note 7. Subsequent Event

On January 19, 2000, the Department of the Treasury issued rules in final form pursuant to 31CFR Part 375 setting out the terms and conditions by which outstanding, unmatured marketable Treasury securities may be redeemed through Treasury buying back the securities. This authority to buy back securities will enable Treasury to better manage financing needs, promote more efficient capital markets, and may lower financing costs for taxpayers. As of January 28, 2000, no outstanding, unmatured marketable Treasury securities had been redeemed through such authority.

Comments From the Bureau of the Public Debt

DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT
WASHINGTON, DC 20239-0001

February 15, 2000

Mr. Gary T. Engel
Associate Director
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Engel:

This letter represents our response to your audit of the Schedules of Federal Debt Managed by the Bureau of the Public Debt for the fiscal years ended September 30, 1999 and 1998. We agree with your audit report's conclusions.

I would like to thank you and your staff for conducting a thorough audit of these schedules. We appreciate the professionalism and continued dedication of your audit team. Your team's knowledge of our accounting operations has greatly enhanced the audit process. Our staffs, as in the past, worked well together during the audit and we look forward to continuing our productive and effective relationship.

Sincerely,

Van Zeck
Commissioner

www.publicdebt.treas.gov

GAO Contact and Staff Acknowledgments

GAO Contact

J. Lawrence Malenich (202) 512-9399

Acknowledgments

In addition to the individual named above, William E. Boutboul, Dawn B. Simpson, Dean D. Carpenter, Casey L. Keplinger, Ogbeide O. Oniha, Carolyn M. Voltz, and Michael S. Wetklow made key contributions to this report.

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