



Highlights of [GAO-04-177](#), a report to Secretary of the Treasury

Why GAO Did This Study

GAO is required to audit the consolidated financial statements of the U.S. government. Due to the significance of the federal debt held by the public to the governmentwide financial statements, GAO has also been auditing the Bureau of the Public Debt's (BPD) Schedules of Federal Debt annually. The audit of these schedules is done to determine whether, in all material respects, (1) the schedules prepared are reliable, (2) BPD management maintained effective internal control relevant to the Schedule of Federal Debt, and (3) BPD complies with selected provisions of significant laws related to the Schedule of Federal Debt.

Federal debt managed by BPD consists of Treasury securities held by the public and by certain federal government accounts, referred to as intragovernmental debt holdings. The level of debt held by the public reflects how much of the nation's wealth has been absorbed by the federal government to finance prior federal spending in excess of total federal revenues. Intragovernmental debt holdings represent balances of Treasury securities held by federal government accounts, primarily federal trust funds such as Social Security, that typically have an obligation to invest their excess annual receipts over disbursements in federal securities.

www.gao.gov/cgi-bin/gettrpt?GAO-04-177.

For a fuller understanding of GAO's opinion on BPD's fiscal years 2003 and 2002 Schedules of Federal Debt, readers should refer to the complete audit report, available by clicking the link above, which includes information on audit objectives, scope, and methodology. For more information, contact Gary T. Engel at (202) 512-3406.

FINANCIAL AUDIT

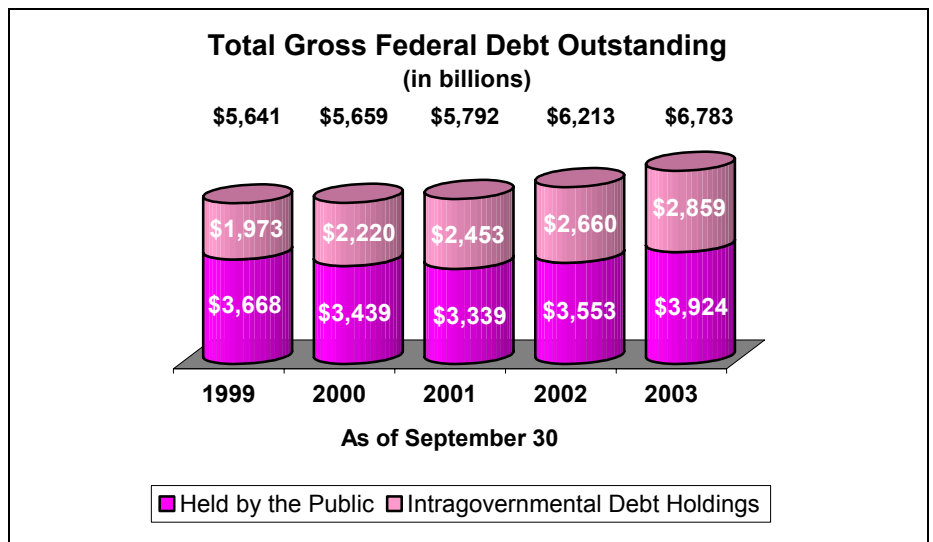
Bureau of the Public Debt's Fiscal Years 2003 and 2002 Schedules of Federal Debt

What GAO Found

In GAO's opinion, BPD's Schedules of Federal Debt for fiscal years 2003 and 2002 were fairly presented in all material respects and BPD maintained effective internal control related to the Schedule of Federal Debt as of September 30, 2003. GAO also found no instances of noncompliance in fiscal year 2003 with selected provisions of the statutory debt limit and debt issuance suspension period laws we tested.

As of September 30, 2003 and 2002, federal debt managed by BPD totaled about \$6,783 billion and \$6,213 billion, respectively. In fiscal year 2003, debt held by the public as a percentage of the annual size of the U.S. economy increased by approximately 2.3 percentage points to an estimated 36.5 percent. Further, certain trust funds (e.g., Social Security and Medicare) continue to run cash surpluses, resulting in increased intragovernmental debt holdings. These debt holdings represent a priority call on future budgetary resources. During fiscal year 2003, a debt issuance suspension period was invoked to avoid breaching the statutory debt limit. On May 27, 2003, legislation was enacted to raise the debt limit by \$984 billion to \$7,384 billion. The Congressional Budget Office recently projected that this new debt limit will be reached during fiscal year 2004.

As shown below, total federal debt increased each year over the last 4 years. Debt held by the public decreased as a result of cash surpluses for the first 2 years of this period, but increased during fiscal years 2002 and 2003, with the return of annual deficits. Intragovernmental debt holdings steadily increased during this 4-year period primarily due to excess receipts over disbursements in federal trust funds.



Source: BPD.