



Highlights of [GAO-07-127](#), a report to the 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 are reliable and (2) BPD management maintained effective internal control relevant to the Schedule of Federal Debt. Further, we test compliance 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 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/getrpt?GAO-07-127.

For a fuller understanding of GAO's opinion on BPD's fiscal years 2006 and 2005 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 or engelg@gao.gov.

FINANCIAL AUDIT

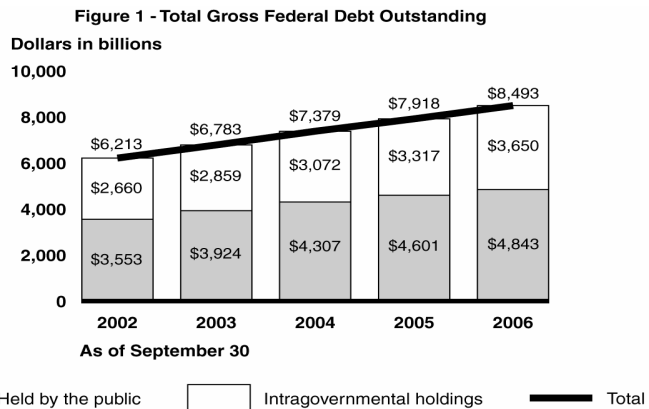
Bureau of the Public Debt's Fiscal Years 2006 and 2005 Schedules of Federal Debt

What GAO Found

In GAO's opinion, BPD's Schedules of Federal Debt for fiscal years 2006 and 2005 were fairly presented in all material respects and BPD maintained effective internal control relevant to the Schedule of Federal Debt as of September 30, 2006. GAO also found no instances of noncompliance in fiscal year 2006 with selected provisions of the statutory debt limit and debt issuance suspension period laws we tested.

As of September 30, 2006 and 2005, federal debt managed by BPD totaled about \$8,493 billion and \$7,918 billion, respectively. At the end of fiscal year 2006, debt held by the public as a percentage of the U.S. economy is estimated at 36.9 percent, compared to 34.1 percent at the end of fiscal year 2002. Further, certain trust funds (e.g., Social Security) continue to run surpluses, resulting in increased intragovernmental debt holdings. These debt holdings are backed by the full faith and credit of the U.S. government and represent a priority call on budgetary resources. As a result, total gross federal debt has increased 37 percent between the end of fiscal years 2002 and 2006. During fiscal year 2006, a debt issuance suspension period was invoked to avoid breaching the statutory debt limit. On March 20, 2006, legislation was enacted to raise the debt limit by \$781 billion to \$8,965 billion. This was the fourth occurrence since 2002 that the statutory debt limit had to be raised to avoid breaching the statutory debt limit. During that time, the debt limit has increased more than \$3 trillion, from \$5,950 billion in 2002 to the current limit of \$8,965 billion.

As shown in figure 1 below, total federal debt increased over each of the last 4 fiscal years. Debt held by the public increased during this 4-year period primarily as a result of annual unified budget deficits. Intragovernmental debt holdings steadily increased during this 4-year period primarily due to excess receipts over disbursements in federal trust funds (e.g., Social Security).



Source: BPD.