



Highlights of [GAO-08-168](#), 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 a significant selected provision of law 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.

For a fuller understanding of GAO's opinion on BPD's fiscal years 2007 and 2006 Schedules of Federal Debt, readers should refer to the complete audit report, available by clicking on [GAO-08-168](#), which includes information on audit objectives, scope and methodology. For more information, contact Gary T. Engel at (202) 512-3406 or engelg@gao.gov.

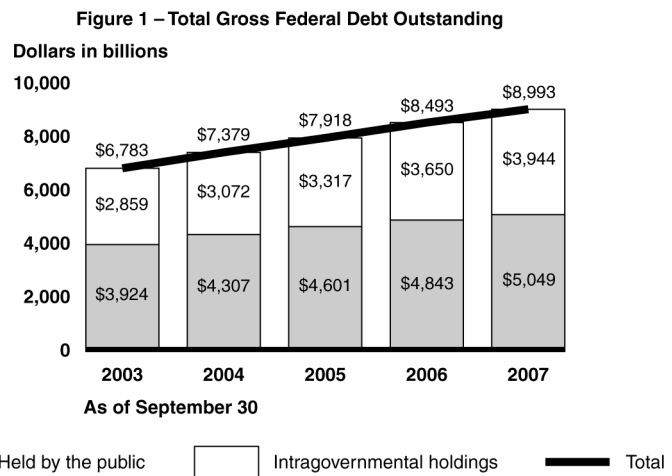
FINANCIAL AUDIT

Bureau of the Public Debt's Fiscal Years 2007 and 2006 Schedules of Federal Debt

What GAO Found

In GAO's opinion, BPD's Schedules of Federal Debt for fiscal years 2007 and 2006 were fairly presented in all material respects and BPD maintained effective internal control relevant to the Schedule of Federal Debt as of September 30, 2007. GAO also found no instances of noncompliance in fiscal year 2007 with the statutory debt limit.

As of September 30, 2007 and 2006, federal debt managed by BPD totaled about \$8,993 billion and \$8,493 billion, respectively. As shown in figure 1 below, total federal debt increased over each of the last 4 fiscal years.



Source: BPD.

Total federal spending has exceeded total federal revenues which have resulted in increases in debt held by the public. Further, certain trust funds (e.g., Social Security) continue to run cash surpluses, resulting in increased intragovernmental debt holdings since the federal government spends these surpluses on other operating costs and replaces them with federal debt instruments. These debt holdings are backed by the full faith and credit of the U.S. government and represent a priority call on future budgetary resources. As a result, total gross federal debt has increased about 33 percent between the end of fiscal years 2003 and 2007. On September 29, 2007, legislation was enacted to raise the statutory debt limit by \$850 billion to \$9,815 billion. This was the third occurrence since the end of fiscal year 2003 that the statutory debt limit had to be raised to avoid breaching the statutory debt limit. During that time, the debt limit has increased by over \$2.4 trillion, or about 33 percent, from \$7,384 billion on September 30, 2003, to the current limit of \$9,815 billion.