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# Highlights

Highlights of [GAO-09-44](#), 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 audits 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, GAO tests compliance with a significant provision of law related to the Schedule of Federal Debt (statutory debt limit).

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 primarily 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 2008 and 2007 Schedules of Federal Debt, readers should refer to the complete audit report, available by clicking on [GAO-09-44](#), which includes information on audit objectives, scope and methodology. For more information, contact Gary T. Engel at (202) 512-3406 or [engelg@gao.gov](mailto:engelg@gao.gov).

## FINANCIAL AUDIT

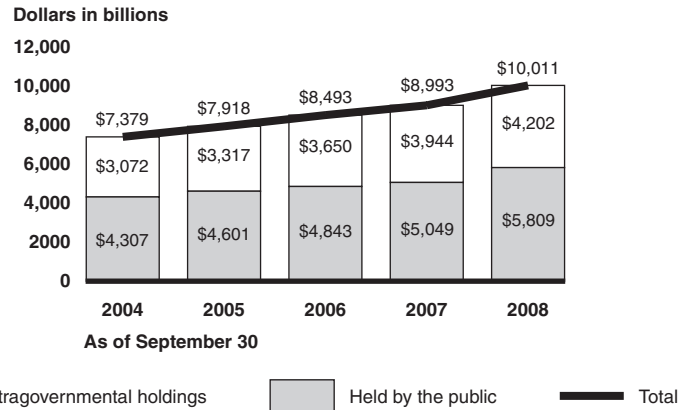
### Bureau of the Public Debt's Fiscal Years 2008 and 2007 Schedules of Federal Debt

## What GAO Found

In GAO's opinion, BPD's Schedules of Federal Debt for fiscal years 2008 and 2007 were fairly presented in all material respects, and BPD maintained effective internal control relevant to the Schedule of Federal Debt as of September 30, 2008. GAO found no instances of noncompliance in fiscal year 2008 with the statutory debt limit.

As of September 30, 2008 and 2007, federal debt managed by BPD totaled about \$10,011 billion and \$8,993 billion, respectively. As shown in figure 1 below, total federal debt increased over each of the last 4 fiscal years.

Figure 1 – Total Gross Federal Debt Outstanding (Fiscal Years Ended September 30, 2004–2008)



Source: BPD.

During the last 4 fiscal years, managing the federal debt has continued to be a challenge as evidenced by the growth of total federal debt by \$2,632 billion, or 36 percent, from \$7,379 billion as of September 30, 2004, to \$10,011 billion as of September 30, 2008. In fiscal year 2008 alone, total federal debt increased by \$1,018 billion, the single largest annual increase in history. Of this amount, about \$760 billion was from the increase in debt held by the public, which included \$300 billion in cash management bills issued in September 2008 under the Supplementary Financing Program initiated by Treasury. The remaining increase in federal debt of about \$258 billion was from intragovernmental debt holdings. On July 30, 2008, legislation was enacted to raise the statutory debt limit from \$9,815 billion to \$10,615 billion. In addition, in response to the nation's growing financial crisis, on October 3, 2008, the President signed into law legislation authorizing the Secretary of the Treasury to purchase up to \$700 billion in troubled assets from financial institutions. This legislation increased the statutory debt limit by \$700 billion to \$11,315 billion. These increases in the statutory debt limit were the fourth and fifth such occurrences since fiscal year 2004.