

## Why GAO Did This Study

Because of the significance of the federal debt held by the public to the consolidated financial statements of the U.S. government, which GAO is required to audit, GAO audits the Bureau of the Public Debt's (BPD) Schedules of Federal Debt annually. This 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 (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/getrpt?GAO-03-199](http://www.gao.gov/cgi-bin/getrpt?GAO-03-199).

For a fuller understanding of GAO's opinion on BPD's fiscal years 2002 and 2001 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 additional information, contact Gary T. Engel (202-512-3406).

## FINANCIAL AUDIT

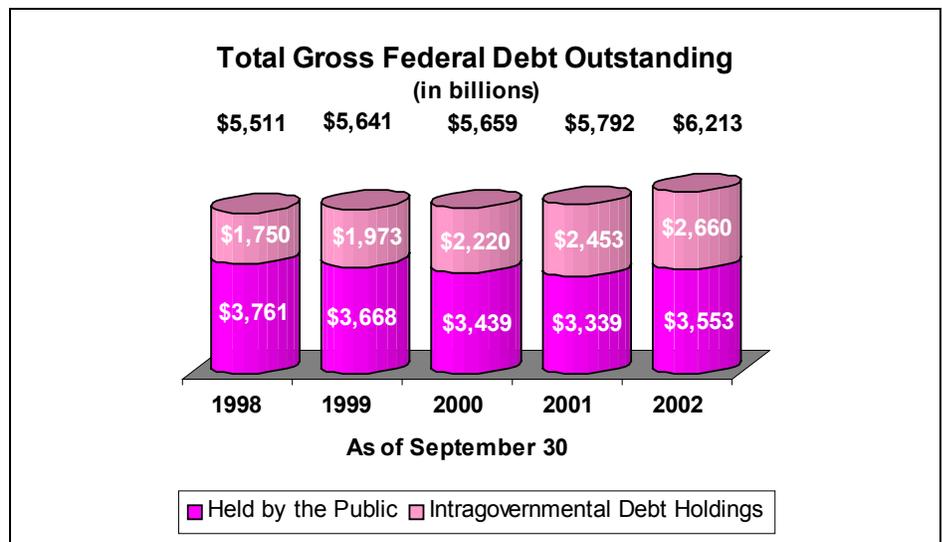
# Bureau of the Public Debt's Fiscal Years 2002 and 2001 Schedules of Federal Debt

## What GAO Found

In GAO's opinion, in all material respects, BPD's Schedules of Federal Debt for fiscal years 2002 and 2001 were reliable and BPD maintained effective internal control related to the Schedule of Federal Debt as of September 30, 2002. GAO also found no instances of noncompliance in fiscal year 2002 with selected provisions of the statutory debt limit and debt issuance suspension period laws we tested.

As of September 30, 2002 and 2001, federal debt managed by BPD totaled about \$6,213 billion and \$5,792 billion, respectively. For the first time since fiscal year 1993, as a result of the current weak economy coupled with various tax and spending decisions, debt held by the public as a percentage of the annual size of the U.S. economy increased. Further, certain trust funds 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 2002, two debt issuance suspension periods were invoked to avoid breaching the statutory debt limit. On June 28, 2002, legislation was enacted to raise the debt limit by \$450 billion to \$6.4 trillion. Current projections are that this new limit will be reached in fiscal year 2003.

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 3 fiscal years ended September 30, 2001, but increased during fiscal year 2002, with the return to a deficit. Intragovernmental debt holdings steadily increased during this 4 year period primarily due to excess receipts over disbursements in federal trust funds.



Source: BPD.