

MANAGEMENT'S ASSURANCES

Federal Managers' Financial Integrity Act

As required under the *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*, the Department reviewed its management-control system. The objectives of the management-control system are to provide reasonable assurance that the following occur:

- Obligations and costs are in compliance with applicable laws.
- Assets are safeguarded against waste, loss, unauthorized use or misappropriation.
- The revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and maintain accountability over assets.
- Programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Managers throughout the Department are responsible for ensuring that effective controls are implemented in their areas of responsibility. Individual assurance statements from senior management serve as a primary basis for the Department's assurance that management controls are adequate. The assurance statement provided on page 43 is the result of our annual assessment and is based upon each senior officer's evaluation of controls.

Department organizations that identify material deficiencies are required to submit plans for correcting the cited weaknesses. These corrective action plans, combined with the individual assurance statements, provide the framework for continual monitoring and improving of the Department's management controls.

Material Weakness Reported in FY 2008 Resolved. Corrective actions have been implemented to resolve the "Information Technology (IT) Security" material weakness reported in the *FY 2008 Performance and Accountability Report*. The Office of the Chief Information Officer implemented corrective actions in response to OIG audits and reviews of IT security. These actions have led to a significant improvement in IT security internal controls.

Inherent Limitations on the Effectiveness of Controls. Department management does not expect that our disclosure on controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable—not absolute—assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints. The benefits of the controls must be considered relative to their associated cost. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Federal Financial Management Improvement Act

The Secretary has determined that the Department is in compliance with the *Federal Financial Management Improvement Act of 1996 (FFMIA)*, although the auditors have identified instances in which the Department's financial management systems did not substantially comply with the act.

The Department is cognizant of its auditor's concerns relating to instances of noncompliance with *FFMIA* as noted in the Compliance with Laws and Regulations Report located on pages 118-120 of this report. The Department continues to strengthen and improve its financial management systems.

The *FFMIA* requires that agencies' financial management systems provide reliable financial data in accordance with generally accepted accounting principles and standards. Under *FFMIA*, the financial management systems substantially comply with the three following requirements under *FFMIA*—federal financial management system requirements, applicable federal accounting standards and the use of the U.S. Government Standard General Ledger at the transaction level.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

Management for the Department of Education is responsible for establishing and maintaining effective internal control and financial management systems that meet the intent and objectives of the *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*. The Department conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the Office of Management and Budget Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Department of Education can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, was operating effectively and no material weaknesses were found in the design or operations of the internal controls.

In addition, the Department conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of the Office of Management and Budget's Circular No. A-123. In accordance with the results of this assessment, the Department of Education can provide reasonable assurance that its internal control over financial reporting as of June 30, 2009, was operating effectively and that no material weaknesses were found in the design or operation of the internal control over financial reporting.

/s/

Arne Duncan
November 16, 2009