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## Message From the Secretary



November 15, 2010

I am pleased to present the U.S. Department of Education's *Fiscal Year (FY) 2010 Agency Financial Report*. This is the first of three integrated reporting components that are included in the alternative approach to the *Performance and Accountability Report (PAR)*. The remaining two reports, the *FY 2010 Annual Performance Report* and the *FY 2010 Summary of Performance and Financial Information*, will be released in February 2011.

FY 2010 has been a transition year for the Department as we move to a new strategic plan. We are still firmly committed to our mission of promoting achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. In

FY 2010, we faced significant challenges and achieved major milestones in promoting our education goals.

We focused our efforts on the President's goal of once again having the highest proportion of college graduates in the world—a goal that drives accountability for improvement from cradle to career. In order to achieve this goal as the end result of our education efforts, we need to continue to support students at all levels of the education continuum. We must begin with early learning, and we must do more to close the achievement gap before children enter kindergarten and ensure success in school. We must provide our students with competent and effective teachers. We must work to reduce dropout rates in our high schools, promote college readiness, and make college more accessible and affordable.

We continue to work on the reauthorization of the *Elementary and Secondary Education Act of 1965*. We need to ensure that states, districts, and schools are held accountable; provide greater flexibility to enable innovation and improvement; and focus a greater emphasis on schools and students most at risk.

We have already focused on these efforts in our current programs. *Race to the Top*, authorized under the *American Recovery and Reinvestment Act of 2009*, has prompted states and districts to remove obstacles to reform and encourage stakeholders to work together toward shared goals. I recently conducted a *Courage in the Classroom* tour to honor our nation's unsung heroes—our teachers. The major complaint I heard from teachers is that narrowly focused “bubble tests” pressure teachers to teach to the test. The *Race to the Top Assessment* program provides funding to coalitions of states to develop common assessments that measure real student knowledge and skills.

Our Investing in Innovation (i3) fund (authorized under the *American Recovery and Reinvestment Act of 2009*) provides competitive grants to districts or consortia of schools to expand innovation and evidence-based practices. Additionally, states all across America are distributing School Improvement Grant (SIG) funds to districts to provide interventions to their lowest-performing schools. And we are also distributing Teacher Incentive Fund (TIF) grants to districts to try new compensation programs that reward effective teachers or provide incentives for teachers to teach in hard-to-staff schools and subjects.

To help students struggling to enter college, the Department provides low-interest loans directly to students through the William D. Ford Federal Direct Loan Program and Pell Grants to make college more affordable and accessible. We have reformed the student loan program to save taxpayer dollars and now use private-sector companies chosen competitively based upon effective performance to service student loans.

Over the last two years, the Department has been able to support education jobs through stimulus funding provided by the *American Recovery and Reinvestment Act of 2009*. Communities across America still face serious financial challenges. Our new Education Jobs Fund is saving and creating education jobs. It requires school districts to pay the salaries and benefits of teachers, school administrators, and other essential employees.

We are continuing to monitor our progress in areas of concern that would hinder efficiency, effectiveness, and integrity in our programs and operations, and to identify actions needed to address any deficiencies. Going forward into FY 2011, our Office of Inspector General has identified four challenges that face the Department:

- implementation of new programs and statutory changes to existing programs;
- program oversight and monitoring;
- data quality and reporting; and
- information technology security.

Additionally, several new requirements related to reducing improper payments were enacted in FY 2010. The Department must be able to provide assurances that the billions of dollars entrusted to it are reaching the intended recipients.

Education is a civil right. That is why we are establishing the Equity and Excellence Commission to examine how inequities in K-12 education contribute to the achievement gap. We will ensure that all schools—traditional public schools, public charter schools, and private schools—serve the children most in need.

Also, I have recently launched the TEACH Campaign to raise awareness of teaching as a valuable profession. For more information, please visit our Web site, [www.TEACH.gov](http://www.TEACH.gov).

Finally, the financial and performance data presented in this report are complete and reliable, and provide an accurate and transparent accounting of the Department's financial situation and performance results. The report includes information and assurances about the Department's financial management systems and controls as required by the *Federal Managers' Financial Integrity Act of 1982*. I am pleased to report that for the ninth consecutive year, the Department has earned a clean opinion from independent auditors on its financial statements and that for the eighth consecutive year, no material weaknesses were identified.

Sincerely,

/s/

Arne Duncan