

Message From the Chief Financial Officer

The Department of Education continued its high standard of financial management and reporting during FY 2011. The Department's excellence in financial management has been a joint effort of its managers, employees, and business partners. In FY 2011, we:

- Continued to implement initiatives to ensure accessibility of federal student loans to eligible students and parents;
- Received an unqualified opinion on the principal financial statements for the tenth consecutive year, continuing a clear pattern of financial accountability; and
- Continued to have no material weaknesses identified by our auditors as part of their Report on Internal Control.



In FY 2011, the Department also took steps to address the two remaining significant deficiencies identified in the "Report on Internal Controls" for FY 2010: credit reform and information systems.

The Department continued to improve communication around its credit reform programs by holding monthly credit reform work group meetings among senior managers to review assumptions and procedures. A team from Budget Service and the Chief Financial Officer also completed a comprehensive cohort analysis for both the Direct Loan and Federal Family Education Loan programs to identify and reconcile any differences in estimated cash flows and general ledger entries. The cohort analysis was requested by our external auditors as a tool to validate the credit reform estimates.

Steps on information systems included continued efforts to improve security and controls. For example, the Department is transforming its Information Assurance and Cyber Security Program, including undertaking a full vulnerability assessment of the EDUCATE and Virtual Data Center IT environments and employing a new continuous monitoring program to automate the *Federal Information Security Management Act of 2002* (FISMA) reporting tool. The Department has also expanded the scope and functionality of the Education Computer Incident Response Center to provide improved oversight of information technology operations and security and to leverage additional and more efficient security functionality.

During FY 2011, the Department also assessed the effectiveness of its internal controls over financial reporting. This review was based on the requirements of OMB Circular A-123 (Appendix A), *Management's Responsibility for Internal Control*. We are pleased to report that the Department can give an unqualified statement of assurance on its internal control over financial reporting. This examination provided a valuable opportunity to review and improve internal controls and ensure integrity in financial management and reporting.

/s/

Thomas P. Skelly
Delegated to perform the functions and duties of Chief Financial Officer
November 15, 2011