
Message From the Secretary



November 16, 2012

In support of the Department's mission **to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access**, I am pleased to present the Department's *Fiscal Year (FY) 2012 Agency Financial Report*. This report focuses on financial, management, and program results and challenges in fiscal year 2012. The purpose is to ensure accountability for results and to inform Congress, the President, and the American people about progress in meeting goals.

The financial and performance data presented are complete and reliable. They provide an accurate and transparent accounting of the Department's financial situation and high-level performance results, and the financial statements earned an unqualified or "clean" opinion from the independent auditors. More detailed performance information and results will be released in the *Annual Performance Report* (in February 2013).

This financial report also includes information and assurances about the Department's financial management systems and controls as required by the *Federal Managers' Financial Integrity Act of 1982*. This Act requires a self-assessment. Our internal control reviews led us to believe that conversions of systems used to track servicing of student loans caused delays in the reliability of some financial reporting. The auditors deemed these challenges as a material weakness during FY 2012, and we agree. However, even the weakness from the conversions did not alter our financial statements in a way to prevent us from receiving an unqualified opinion for the eleventh year in a row. Steps have been taken to rectify the situation caused by the migration from legacy systems, and we will continue to address the deficiencies in FY 2013.

We continue to address any other areas that could hinder efficiency, effectiveness, and integrity in our programs and operations. We agreed with our Inspector General that we had to address four management challenges: improper payments, information technology security, oversight and monitoring, and data quality and reporting. While we made some progress, each remains an area where we can improve.

In 2012, the Department focused efforts on several priority program areas: *Elementary and Secondary Education Act* (ESEA) flexibility, reforming the teaching profession, college costs and access, education equity, and student achievement.

ESEA Flexibility: The role of the Department of Education is to support states and local districts as they lead reforms that improve instruction and increase student achievement. As a result of increased ESEA flexibility, states, schools, and teachers will be able to develop innovative ways to give children a better education. In 2012, in exchange for state-developed plans to prepare all students for college and careers, focus on the neediest students, and support effective teaching and leadership, many states and the District of

Columbia applied for and received waivers from certain provisions of the ESEA, also known as *No Child Left Behind*.

Empowering States for Teacher Reform—the RESPECT Project: In 2012, the Department launched an initiative to encourage bold reforms at every stage of the teaching profession—Recognizing Educational Success, Professional Excellence and Collaborative Teaching (RESPECT). The goal is to work with educators to elevate the teacher voice in shaping federal, state, and local education policy and to promote teaching as America’s most important and respected profession. RESPECT will support state and local efforts to attract top-tier talent. It will encourage creation of a professional career continuum with competitive compensation, and it will support evaluating teachers and leaders. And it will encourage school districts to place the best educators into the schools that need them most.

Keeping Down College Costs and Improving Access: The Administration highlighted the growing challenge of college costs and the burden of student debt. The President offered a plan to give schools an incentive for keeping college affordable while improving quality. Pell Grants helped 9.5 million students gain access to college and subsidized student loans continued at an interest rate of 3.4 percent. We also helped students better manage student loan debt, by capping monthly payments based on what people can afford through the “Pay as You Earn” initiative, which builds on the existing income-based repayment plan. In addition, we want students to “Know Before They Owe,” that is, to understand the financial implications of a loan by increasing the transparency of loan costs and requirements.

The Department also launched a website and social media tool to help students navigate the financial aid process. StudentAid.gov will eventually provide consumers with a one-stop website where they can access federal student aid information, apply for federal aid, and repay student loans.

Equity in Education: Education is the great equalizer in America. To close the achievement gap, we must also close the opportunity gap. The way to achieve equity in society is to achieve equity in the classroom. The Administration is investing and encouraging reform in what have historically been some of the nation’s lowest-achieving schools, aiming to transform them into safe and successful environments where all students can thrive.

Leveraging Change to Improve Student Outcomes: In 2012, we saw some very encouraging results from recent initiatives. The Race to the Top program has spurred comprehensive and unprecedented state-level reforms of policies and practices affecting our schools and early learning programs, and the School Improvement Grants program is turning around the lowest-performing schools through critical investments and intervention strategies. In higher education, the Administration is focused on boosting access, affordability, and attainment.

The Race to the Top program has had three components. First, it supports states that raise standards, build better data systems, evaluate and support principals and teachers, and dramatically transform their lowest-performing schools. It also supports the development of new and better assessments aligned with high standards.

Second, the Early Learning Challenge, part of the Race to the Top program, supports states that strengthen the quality of their early learning programs.

Third, in 2012, the Department has invested in a Race to the Top—District initiative, which is aimed at the classroom level and the all-important relationship between teachers and students. With this initiative, we are inviting districts to show us how they can personalize and individualize education for students in their schools.

Other programs such as Investing in Innovation (i3), the Teacher Incentive Fund, and Promise Neighborhoods are bringing needed change and new approaches to schools and communities across America.

Also in 2012, the Administration released a blueprint that aims to reform career and technical education (CTE). The blueprint aims to strengthen the linkages between secondary and postsecondary education, job-training providers, and employers. The goal of the CTE blueprint is that students earn an industry or postsecondary certificate or degree that will lead to a successful career.

Providing every student in America with a world-class education is a moral obligation, a civic necessity, and an economic imperative. Nations that best educate their students will be the best equipped to thrive in the 21st century. From improving access to early learning programs; to reforming elementary and secondary education; to making higher education more accessible and affordable; to working to attract talented people to the teaching profession, we have made an unprecedented commitment to education. I am proud that the Department has played a significant role in supporting important reforms.

Sincerely,

/s/

Arne Duncan