

## Message From the Chief Financial Officer

The Department of Education continued its high standard of financial management during FY 2012. Independent auditors gave an unqualified or “clean” opinion on our financial statements for the 11th consecutive year. We are proud of the Department’s excellence in financial management which has been a joint effort of its managers, employees, and business partners. The Department is a large financial organization, and effective administration of the growing portfolio of loans and grants is important to taxpayers and the millions of students who benefit from our programs.



This year, the Department faced significant new challenges when it converted two old Information Technology systems used to track the servicing of student loans. Such system conversions often cause rough patches in the first year. We agree with our auditors that the problems were significant enough to be deemed what is called a material weakness. We have worked to correct the situation, but we have not finished.

We anticipate the correction of this material weakness during FY 2013. This ongoing process, as well as the results of management’s assessment of internal controls pursuant to the *Federal Managers’ Financial Integrity Act (FMFIA)* and compliance of financial management systems with the *Federal Financial Management Improvement Act of 1996 (FFMIA)* are discussed in the Management’s Discussion and Analysis section of this report. We approach the internal control requirements of these laws and OMB Circular A-123 very seriously. The examinations provide a valuable opportunity to review and improve internal controls and ensure integrity in financial management and reporting.

In FY 2012, the Department also took steps to address the two remaining significant deficiencies identified in the “Report on Internal Controls” for FY 2011: credit reform and information systems. We have made progress in both of these areas and look forward to continuous improvement next year.

/s/

Thomas P. Skelly  
Delegated to perform the functions and duties of Chief Financial Officer  
November 16, 2012