

About the Management's Discussion and Analysis

The Department of Education (the Department) continues to enhance the usefulness of the *Agency Financial Report* (AFR) as a roadmap to relevant web content. The AFR is designed to be read online to take full advantage of the information presented. Links replace static pages in earlier reports allowing for current information to be drawn from our websites. The Department's intent is to provide users with access to useful information about the Department and its financial activities, while meeting the intent of the Federal Accounting Standards Advisory Board (FASAB) [Financial Reporting Model Task Force](#) recommendation on web-based reporting and complying with existing Office of Management and Budget (OMB) reporting requirements.

To help continue to improve the content of the AFR, readers are encouraged to provide their feedback at: PARcomments@ed.gov.

Mission and Organizational Structure

This section provides information about the Department's mission, an overview of its history and its structure. The active links include: the organization chart and principal offices, a map of its regional offices, and a full list of Department programs and funding for the current year.

Discussion of Performance

The Department has elected to produce separate financial and performance reports for the last five years. The *Agency Financial Report* for fiscal year (FY) 2013 provides a high-level description of key performance measures and goals based on the [FY 2011–2014 Strategic Plan](#) with a focus on the Priority Goals for 2012–13. A detailed discussion of performance information for FY 2013 will be provided in the Department's *Annual Performance Report* to be published in February 2014 with the President's Budget. Additional information on data from the *FY 2011–2014 Strategic Plan* can be found in the [FY 2012 Annual Performance Report and FY 2014 Annual Performance Plan](#).

The section includes an overview of performance reporting, a report on the Agency Priority Goals for 2012–13, and high-level discussion of performance information.

The Department has identified a small number of priority goals that have been focus areas over the last two years. These goals, which will help measure the success of the Department's cradle-to-career education strategy, reflect the importance of teaching and learning at all levels of the education system. These goals are consistent with the Department's *Strategic Plan*, which will be used to regularly monitor and report progress. To view information on all Department programs, please visit the [Department's website](#).

Looking Ahead and Addressing Challenges describes how the Department's *FY 2014–2018 Strategic Plan* charts future success during these fiscally challenging times.

Financial Highlights

The Department has significantly expanded information in the Financial Highlights section of the report to provide a more comprehensive depiction of its key financial activities for FY 2013 and to identify and explain significant trends.

The Department expends a substantial amount of its budgetary resources and disburses large cash amounts on grant and loan programs intended to increase college access, quality, and

completion; improve preparation for college and career from birth through 12th grade, especially for children with high needs; and ensure effective educational opportunities for all students. Therefore, the Department has included more high-level details about the sources and uses of these funds and a composition of and summary of net costs by program.

The primary sources of funds are borrowings from Treasury (Debt), appropriations from Congress, and spending authority from offsetting collections. Most borrowings and collections are associated with student loans.

As a nine-time recipient of the Association of Government Accountants Certificate of Excellence in Accountability Reporting and having earned unqualified (or “clean”) audit opinions for 12 consecutive years, the Department has demonstrated its commitment to continuous improvement in its financial management, operations, and reporting.

Analysis of Controls, Systems, and Legal Compliance

The Department is the smallest of the 15 cabinet level agencies in terms of government staff, yet it has the third largest grant portfolio among the 26 federal grant-making organizations. The Department manages the second largest loan portfolio in the federal government. In order to demonstrate effective stewardship of these resources, the Department has to implement effective controls over operations, systems, and financial reporting as described in the Analysis of Controls, Systems, and Legal Compliance section of the report.

The three objectives of internal controls are to ensure the effectiveness and efficiency of operations, reliability of financial reporting and systems controls, and compliance with applicable laws and regulations. The Department categorizes and assesses controls in three categories:

- internal controls over operations,
- internal controls over financial reporting, and
- internal controls over systems.

About the Department

Our Mission

The U.S. Department of Education's mission is *to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.*

Overview. In 1867, the [federal government](#) recognized that furthering education was a national priority and created a federal education agency to collect and report statistical data. The Department was established as a cabinet-level agency in 1979. Today, the Department supports programs that touch on every area and level of education. The Department has approximately 4,200 employees and manages a \$65 billion discretionary appropriation. The Department has [set high expectations](#) for its own employees and is continuously working to improve management practices, ensure fiscal integrity, and develop a culture of high performance.

Our Public Benefit. The Department is committed to ensuring that students throughout the nation develop the skills they need to succeed in school, college, and the workforce, while recognizing the primary role of states and school districts in providing a high-quality education, employing highly qualified teachers and administrators, establishing challenging content and achievement standards, and monitoring students' progress against those standards. As a principal office of the Department, Federal Student Aid (FSA) provides about 14 million postsecondary students with low-interest loans, grants, and work-study funds to cover expenses, such as tuition and fees, room and board, books and supplies, and transportation. The Department's early learning, elementary, and secondary programs annually serve approximately 14,000 school districts and 55 million students attending about 99,000 public and 31,000 private schools.

What We Do. The [Department](#) engages in four major types of activities: establishing policies related to federal education funding, including the distribution of funds and monitoring of their use; supporting data collection and research on America's schools; identifying major issues in education and focusing national attention on them; and enforcing federal laws prohibiting discrimination in programs that receive federal funds.

Organizational Structure. Our staff is organized as shown in the organizational chart. Links are provided to web pages that provide a detailed [description of the principal offices](#) and [overview of the activities of the Department](#) and [its programs](#).

Regional Offices. The [Department has ten regional offices](#) that provide points of contact and assistance for schools, parents, and citizens. The primary support within the regional offices is that of communications, civil rights enforcement, and federal student aid services to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. In addition to enforcement offices in federal regions, enforcement offices are located in Washington, D.C. and Cleveland, Ohio.

Web Presence. The Department maintains [a comprehensive website](#) that focuses on most popular searches, latest news and events, and links to social media.

Our Organization in Fiscal Year 2013

An [interactive version of this chart](#) is available. Note that [Federal Student Aid](#) is the largest component of the Department. The printed version reflects the Department organization as of September 30, 2013.

