

## Message From the Chief Financial Officer

The Department of Education is firmly committed to financial management excellence. We hope you find the *Agency Financial Report* (AFR) a useful summary of the Department's use of resources, operating performance, financial stewardship, and internal control. In compiling the AFR this year, we made a concerted effort to provide information at a high level with the support of web links for readers who want more details.

I am extremely pleased to report that we have attained our 12<sup>th</sup> consecutive unqualified or "clean" opinion on our FY 2013 financial statements. The consistency in our accounting and reporting is a tribute to the excellent work of our employees and contract partners. Operating budgets were tight in 2013, but the financial management team and the Department's employees carried out their responsibilities in an efficient and effective manner. We spent less than 1 percent of the annual appropriations on administrative costs in making almost \$200 billion in new grant and loan obligations.

Along with the unqualified opinion for 2013, our auditors reported that there were no material internal control weaknesses and no instances of noncompliance with applicable laws and regulations, except for one compliance issue with the *Federal Financial Management Improvement Act* (FFMIA). This is an improvement over 2012.

The audit and related reports help us by suggesting areas where we can improve. Last year, we reported a material weakness associated with a transition among some systems contracts that help track our student loan accounts. We took steps in 2013 to address those issues and eliminated the material weakness. Despite our significant efforts to improve our internal control over financial reporting and related information technology controls, the auditors reported the Department's financial management systems did not substantially comply with the FFMIA system requirements. In their view, certain technical and operational issues in the functionality and application control over financial systems for managing loans receivable impacted the Department's ability to maintain effective controls and the efficiency of servicing the direct loan portfolio. The auditors reported no instances of noncompliance with other applicable laws and regulations. We remain committed to addressing the reported FFMIA issue, as well as the other management challenges identified in reports by the Inspector General and the independent auditors.

We strive to monitor and improve our internal controls for all of our activities and demonstrate compliance with applicable laws and regulations. Internal controls are never perfect, and there are always areas for improvement, including those identified by our independent auditors in their report and by the Office of Inspector General in its management challenges.

/s/

Thomas P. Skelly  
Delegated to perform the functions and duties of the Chief Financial Officer  
December 11, 2013

