

Message From the Chief Financial Officer

Our FY 2014 *Agency Financial Report* (AFR) demonstrates the Department of Education's firm commitment to financial management excellence. In compiling the AFR this year, we made a concerted effort to provide information at a high level while providing web links for many details.

We made the Notes more reader-friendly and tried to build on our success in telling the financial story of the Department, for which we were recognized by the Association of Government Accountants in 2013 as the best in federal government.

FY 2014 was not easy. We overcame a multi-week government shutdown and tight operating budgets for the entire year, while still carrying out many complex programs. Despite these challenges, I am extremely pleased that we have attained our 13th consecutive unmodified or "clean" opinion. The consistency in our accounting and reporting is a tribute to the excellent work of our employees and contract partners.

The Department is the smallest of the 15 cabinet-level agencies in terms of government staff, with approximately 4,100 employees, yet we have large financial responsibilities whether the measure is assets, obligations, or outlays.

The balance sheet of the Department now exceeds \$1 trillion. Our largest asset is a portfolio of student loans. Our employees and contractors collect principal and interest on the loans, provide services to students and schools, and implement ways to make it easier for borrowers to repay.

The second largest item on the balance sheet is grants to states, most of which go toward elementary and secondary education and get awarded on a legislated formula basis.

The third biggest item is student aid, which helps students and families pay for college through Pell Grants, Work Study, and other campus-based programs.

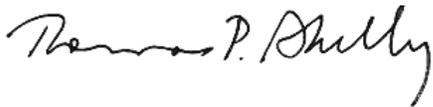
The Department also carries out competitive grant programs to promote innovation, performs research, collects education statistics, and enforces civil rights statutes.

Our annual spending is another way of looking at the financial picture. We made almost \$200 billion in new obligations in FY 2014. This included approximately \$100 billion in new student loans, \$32 billion in Pell Grants for needy college students, \$14.5 billion for Title I of the *Elementary and Secondary Education Act*, \$11.5 billion for the Grants to States under the *Individuals with Disabilities Education Act*, and \$2.5 billion for Improving Teacher Quality State Grants. With all those large activities and over 100 smaller programs, we still spent less than 1 percent of the annual obligations on administrative costs.



In addition to providing an unmodified opinion for FY 2014, our auditors reported that there were no material internal control weaknesses and no material instances of noncompliance with applicable laws and regulations. They did, however, note one item involving the *Debt Collection Improvement Act* as discussed in the Legal Compliance section of the MD&A.

We realize that our administrative processes and internal controls are never perfect. There are always areas in need of improvement, including those identified by our independent auditors in their report and by the Office of Inspector General in its assessment of our management challenges. We are working on these issues and on issues related to our internal self-assessments in areas such as grant monitoring, IT systems, and management of student loan repayments. We will use their suggestions and findings as guides as we strive for continuous improvement.



Thomas P. Skelly
Delegated to perform the functions and duties of the Chief Financial Officer
November 14, 2014