

Message From the Chief Financial Officer

On behalf of the Department of Education, it is my privilege to present to you our Fiscal Year (FY) 2016 Agency Financial Report (AFR). I thank the Department's leadership and staff for their commitment to another successful fiscal year, and I hope that you find the AFR a useful summary of the Department's financial picture, operating performance, and stewardship.

Both the short- and long-term economic impacts of the Department's mission to prepare students for college and to support attainment of college degrees by those students are immense. At the heart of U.S. global competitiveness are students whose creativity, innovative mindsets, and entrepreneurial aspirations will sustain the American economy, as well as the U.S. contribution to the challenges we face today and in the future. High quality, equitably accessible, and affordable education for our country's students is the foundation for our future prosperity.

With approximately \$1.2 trillion in total assets, comprised primarily of credit program receivables that are funded by \$1.1 trillion in Treasury borrowings, and \$285.2 billion in total annual spending supporting programs across the full education spectrum, effective controls over financial activities are essential to responsibly delivering our mission outcomes.

Over the past eight years, the Department of Education experienced an unprecedented rate of growth in our loan portfolio, primarily due to the Department's assumption of direct student loans. For example, credit program receivables increased from \$234.3 billion in FY 2009 to \$1.1 trillion in FY 2016. During this time period, we also received two large supplemental appropriations; \$97.4 billion under the *American Recovery and Reinvestment Act of 2009* and \$10 billion under the Education Jobs Fund.

I am proud of attaining our 15th consecutive unmodified or "clean" opinion of our financial statements, the result of our dedicated cadre of financial professionals, their application of effective controls, and a continuous improvement approach to promoting responsible financial stewardship across all of the Department's mission offices. With less than 1 percent of our \$285.2 billion in payments each year applied to fund the Department's payroll, the achievement of clean opinions, as well as the receipt of our 12th award of the prestigious Certificate of Excellence in Accountability Reporting by the Association of Government Accountants, reflects the efforts of the Department's highly productive team.

In addition to giving an unmodified opinion of our FY 2016 financial statements, our auditors reported that we have no material controls weaknesses, nor material instances of noncompliance with laws and regulations. As such, I can provide reasonable assurance that the financial data included in this AFR are complete and reliable in accordance with federal requirements. Although we have a strong internal control framework, we are actively working to address the management challenges and other control and compliance issues reported by our auditors and self-reported in various sections of this report.

Accountability, transparency, and stewardship are core values embraced by the Department's financial management professionals and their work underpins the mission achievements described in this report that benefit all American students and families. As we move into the future, we have four major priorities to sustain our core values—upgrading our financial management and related business systems, to include migration to



a shared service solution when feasible; enhancing data quality and our capacity to support decision making through robust data analytics; incorporating enterprise risk management practices into the culture of the Office of the Chief Financial Officer; and reshaping and enhancing the competencies of our financial management workforce.

We look forward to implementing even stronger financial management practices in the coming years to provide the American taxpayer with the best possible value for the resources entrusted to us.



Tim Soltis
Delegated the Duties of Chief Financial Officer

November 14, 2016