MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the Department of Education’s FY 2017 Agency Financial Report (AFR), which is intended to provide useful, easy to understand and accessible financial and performance information to our government and public stakeholders for consideration and evaluation of the Department’s major accomplishments, performance, costs, risks, and the value we provide to the taxpayer.

Investment in human capital through educational attainment is a crucial element of a strong national economic and global security strategy. A well-educated citizenry enjoys numerous benefits, including greater job security, higher wages, and improved health. U.S. colleges and universities represent critical centers for research and innovation and a well-educated citizenry is better prepared to help solve the nation’s most pressing domestic and international problems. While states have the greatest role to play in achieving and sustaining the provision of an excellent and equitably accessible education system for American students, the Department supports students by working with parents, students, educational institutions, school districts and states to foster educational excellence and ensure equal access to it in support of the country’s global competitiveness.

As a critical mission support organization, the Office of the Chief Financial Officer (OCFO) has primary responsibility for maintaining financial integrity over the federal resources entrusted to the Department and for preparing the AFR, such that our stakeholders are empowered with reliable information about our financial stewardship and achievements relative to the costs of executing our mission. With approximately $1.3 trillion in total assets, comprised primarily of credit program receivables that were funded by $1.2 trillion in Treasury borrowings and considering the approximate $340.0 billion gross outlays made during FY 2017 to support education programs from preschool through postdoctoral research, effective internal controls over the Department’s business processes and financial activities are essential to responsibly delivering our mission outcomes and the Department’s strategic goals and objectives.
On behalf of the Department of Education, I am proud to present our 16th consecutive unmodified or “clean” opinion of our financial statements. Our clean opinion, along with no material weaknesses, represents the dedicated efforts of an exemplary team of business and financial management professionals, whose commitment to promoting financial integrity and applying effective controls ensures high quality, accurate, and reliable information for all of our customers. Their work also earned the Department its 13th award of the prestigious Certificate of Excellence in Accountability Reporting by the Association of Government Accountants with additional special recognition for Best-in-Class presentation of the Management’s Discussion and Analysis section of the AFR. This year, the Department accomplished several key improvements in our management and stewardship of taxpayer funding, including:

- Improved disclosures about the composition of our loan portfolio, costs, and associated credit risks.
- Development of the Continuous Controls Monitoring System, a robust automated capability to demonstrate integrity over Department payments.
- The initiation of a major upgrade to our core financial system to modernize its technical infrastructure and reduce potential cyber security risks.
- The implementation of a number of reform initiatives intended to help maximize employee and organizational efficiency.

As we continue to implement initiatives to improve OCFO operations, we are also firmly committed to supporting the Administration’s focus on reforming the federal government by achieving more effective, efficient, and accountable financial management operations in the Department of Education. Planned and ongoing actions include:

- Delivering improved financial management and analysis services with reduced staff through increased staff performance, more streamlined business processes, and better use of technology.
- Obtaining and analyzing data of sufficient quality to improve the timeliness and accuracy of financial reporting and to reduce improper payment and fraud risks, including progression towards proactive, preventative control through advanced data analytics.
- Integrating enterprise risk management concepts into our internal control framework and developing a more risk aware culture in OCFO.
- Developing innovative tools and practices to expand support to mission offices’ effective fiscal monitoring of grants concurrent with the realization of staff reductions across the Department.

These actions will increase our effectiveness in service delivery and enable us to make more efficient and effective use of the taxpayer resources entrusted to us. We continuously strive to improve the quality and usefulness of the information provided in the AFR and encourage feedback or suggestions to be sent to us at AFRComments@ed.gov.

Tim Soltis
Delegated the Duties of Chief Financial Officer
November 13, 2017