

## About the Management's Discussion and Analysis

This section provides information on performance results, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems. The Department is committed to making each year's report more useful to all readers and to meet increasingly high standards for internal controls and good stewardship of federal investments. To help continue to improve the content of the *Agency Financial Report* (AFR), readers are encouraged to provide their feedback at: [AFRComments@ed.gov](mailto:AFRComments@ed.gov).

The Department continues to enhance the usefulness of the AFR as a summary of the Department's activities in FY 2014 by using the report and relevant web content. Our intent is to provide users with access to useful information about the Department and its financial activities. This year, the Department concentrated on improving disclosures and continuing its commitment to reader-friendly reporting, with a particular emphasis on making the Notes to the Financial Statements more reader-friendly.

Through its performance, the Department has demonstrated its commitment to education by, among other things: improving access to early learning programs, reforming elementary and secondary education, making higher education more accessible and affordable, and working to attract talented people to the teaching profession. Through its ongoing commitment to being good stewards of its resources, the Department seeks to demonstrate that we have in place well-controlled and managed business and financial management systems and processes. In addition, we continually strive to improve our enterprise risk management methods and the means to assess and test our assumptions about risk.

## 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 description of selected offices by function, as well as a link to the full list of [Department offices](#).

## Discussion of Performance

The Department has elected to produce separate financial and performance reports for the last six years. The *Agency Financial Report* for FY 2014 provides a high-level description of performance measures and goals based on the [FY 2014–2018 Strategic Plan](#), with a focus on the Agency Priority Goals (APGs) for 2014–15. A detailed discussion of performance information for FY 2014 will be provided in the Department's *Annual Performance Report* to be released at the same time as the President's FY 2016 Budget.

The section includes an overview of performance reporting, a report on the APGs for 2014–15, and high-level discussion of performance information. The Looking Ahead and Addressing Challenges section describes the challenges that the Department aims to address in order to achieve progress against the *FY 2014–2018 Strategic Plan*. The results achieved from Department expenditures are discussed at a high level in the AFR. For more details about performance, the reader should refer to the Department's [budget and performance](#) web page and [performance.gov](#).

To view information on all Department programs, visit the [Department's website](#).

## Financial Highlights

The Department has added information in the Financial Highlights section of the report and focused on enhancing the clarity of the Notes to the Financial Statements to provide a more understandable depiction of its key financial balances and activities for FY 2014 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 the allotted 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 ten-time recipient of the Association of Government Accountants' Certificate of Excellence in Accountability Reporting and having earned unmodified (or "clean") audit opinions for 13 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

To demonstrate effective stewardship of these resources, the Department has implemented 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.*

**Who We Are.** 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 positively impact every area and level of education.

The [Department](#) engages in four major types of activities: establishing policies related to federal education funding, including the distribution of funds, collecting on student loans, and using data to monitor the use of funds; 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.

**Our Public Benefit.** The Department is committed to helping to ensure that students throughout the nation develop skills to succeed in school, college, and the workforce. While recognizing the primary role of states and school districts in providing a high-quality education, the Department supports efforts to employ highly qualified teachers and administrators, establish challenging content and achievement standards, and monitor students' progress against those standards.

The Department's largest asset is the portfolio of student loans. Grants to states are the second largest item on the balance sheet, mostly for elementary and secondary education, awarded based on legislated formulas. The third biggest item is student aid to help 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.

**Offices by Function.** [Federal Student Aid](#) (FSA) administers need-based financial assistance programs for students pursuing postsecondary education and makes available federal grants, direct loans, and work-study funding to eligible undergraduate and graduate students.

The offices of [Elementary and Secondary Education \(OESE\)](#), [Special Education and Rehabilitative Services \(OSERS\)](#), [Innovation and Improvement \(OII\)](#), [English Language Acquisition \(OELA\)](#), [Postsecondary Education \(OPE\)](#), and [Career, Technical, and Adult Education \(OCTAE\)](#) provide leadership, technical assistance, and financial support to state and local educational agencies and institutions of higher education for reform, strategic investment, and innovation in education.

[Institute of Education Sciences](#) (IES) is the research arm of the Department. The Department's goal is to provide rigorous and relevant evidence on which to ground education practice and policy and share this information broadly. By identifying what works, what doesn't, and why, IES aims to improve educational outcomes for all students, particularly those at risk of failure. Its goal is to transform education into an evidence-based field in which decision makers routinely

seek out the best available research and data before adopting programs or practices that will affect significant numbers of students.

The [Office for Civil Rights](#) (OCR) works to ensure equal access to education and to promote educational excellence throughout the nation through vigorous enforcement of civil rights. OCR serves student populations facing discrimination and the advocates and institutions promoting systemic solutions to civil rights issues.

The [Office of Planning, Evaluation and Policy Development \(OPEPD\)](#) serves as the principal adviser to the Secretary on all matters relating to policy development and review, performance measurement and evaluation, budget processes and proposals, overseeing policy development, and reviewing policy recommendations. Two major components, the Budget Service and the Policy and Program Studies Service, are housed within OPEPD.

**Regional Offices.** The [Department has 10 regional offices](#) that provide points of contact and assistance for schools, parents, and citizens. Regional offices offer support through 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.

Descriptions of the [principal offices](#) and [overviews of the activities of the Department](#) and its programs can be found on the Department's website.

## Our Organization in Fiscal Year 2014

This chart reflects the statutory organizational structure of the U.S. Department of Education. [Interactive](#) and [text versions](#) of the coordinating structure of the Department are available.

