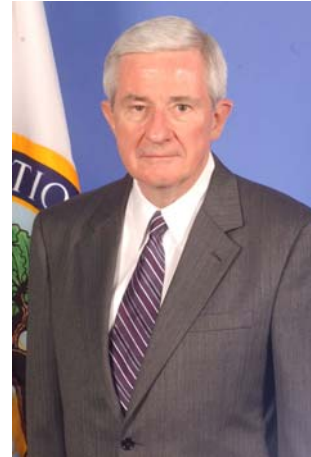


The Department of Education continued its high standard of financial management and reporting during fiscal year (FY) 2007. In this part of the *Performance and Accountability Report*, I have the pleasure of presenting to the President and the American people the financial details on the Department's stewardship and management of the public funds to which we have been entrusted.

The Department's impressive record of excellence in financial management has been a joint effort of its managers, employees, and business partners who make it a priority to ensure that the Department reports contains the highest quality financial data. Highlights of these successful efforts over the last year are as follows:



- Completed the implementation of an upgraded financial management system, in the first quarter of FY 2007;
- Received an unqualified opinion on the principal financial statements for the sixth consecutive year, demonstrating a clear pattern of financial accountability;
- Continued to have no material weaknesses identified as part of the Department's "Report on Internal Control" for the fifth consecutive year;
- Received a "green" status in Financial Management on the *President's Management Scorecard* for the fourth consecutive year;
- Continued to provide reasonable assurance of its internal controls over financial reporting.

In FY 2007, the Department furthered its efforts to correct the two reportable conditions identified by the auditors in the FY 2006 "Report on Internal Control." To address the reportable condition regarding the credit reform estimation the Credit Steering committee has worked diligently to continue to improve the process. In the first quarter of FY 2007, the Department instituted monthly meetings including personnel from the Office of the Chief Financial Officer, Budget Service, Federal Student Aid and Office of Management and Budget. Throughout the fiscal year the committee has addressed policy, cost and management issues that impact the loan programs. The Department also continued to address the other reportable condition regarding controls surrounding information systems.

During FY 2007, the Department conducted an assessment of the effectiveness of its internal control over financial reporting. This review was based upon the requirements of OMB Circular A-123 (Appendix A), *Management's Responsibility for Internal Control*. The Department is pleased to report that it can give an unqualified statement of assurance on its internal control over financial reporting. This examination has presented us the opportunity to further review and improve upon our internal controls and thereby continue to ensure the greatest integrity in our financial management and reporting.

Lawrence Warder
Chief Financial Officer
November 15, 2007

A handwritten signature in black ink that reads "L. Warder". The signature is written in a cursive, flowing style.