

U.S. EQUAL EMPLOYMENT  
OPPORTUNITY COMMISSION

WASHINGTON, D.C.

MANAGEMENT LETTER

SEPTEMBER 30, 2018

HARPER, RAINS, KNIGHT & COMPANY, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
RIDGELAND, MS & WASHINGTON, D.C.



December 14, 2018

U.S. Equal Employment Opportunity Commission  
Washington, D.C.

In connection with our audit of the financial statements of the U.S. Equal Employment Opportunity Commission (EEOC) as of and for the year ended September 30, 2018, we identified deficiencies in internal control (control deficiencies). We present, for your consideration, our comments and recommendations regarding internal controls and other matters. These comments and recommendations are intended to improve the internal control structure or to result in other operating efficiencies for EEOC. The factual accuracy of our comments has been reviewed with management so as to obtain their concurrence prior to the development of our recommendations for improvement. Matters commented upon represent findings during the audit and have not been reviewed subsequent to November 15, 2018.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

*A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We presented certain control deficiencies in our audit report dated November 15, 2018. Additional information about these control deficiencies are presented on the accompanying pages.

We would like to inform EEOC management that the identification of a deficiency in internal control as a significant deficiency or material weakness involves auditor judgment as well as quantitative results; and one of the conditions or events identified in *SAS 109 'Understanding the Entity and Its Control Environment and Assessing the Risks of Material Misstatement'* that may indicate the existence of risks of material misstatement is 'weaknesses in internal control, especially those not addressed by management.'

Although the EEOC financial management structure has many positive attributes, a management letter is critical by nature because its purpose is to identify areas where improvements can be made. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex Federal governmental accounting environment.

Finally, we would like to acknowledge the courtesy and assistance extended to us by EEOC personnel during the course of our audit.

This report is intended solely for the information and use of the management of the U.S. Equal Employment Opportunity Commission and is not intended to be and should not be used by anyone other than the specified party.

Sincerely,

*Harper, Rainie, Knight & Company, P.A.*

## **Appendix A**

### Identified Deficiencies

#### **I. Control Deficiencies**

##### **A. Internal Control over Property, Plant, and Equipment**

###### **Condition**

We tested a sample of three (3) Capital Property Reconciliations as of December 2017, January 2018, and March 2018 (PBC EC048). During our testing, we noted the following:

- The December 2017 Reconciliation of Capitalized Property Accounts Report did not have a signature for review by the appropriate level of management.

###### **Criteria**

EEOC Financial Policy #12 states that the reconciliation between the Oracle Federal Financials (OFF) general ledger and the Account Reconciliation Reserve Ledger Report is performed monthly by an Accountant in the Finance and Systems Services Division (FSSD) and is reviewed by the Director of FSSD.

###### **Cause**

The fixed asset reconciliation was not signed by the financial manager or an equivalent level of management. The incoming Financial Manager of FSSD had not commenced employment with EEOC at the time that this control should have been performed, therefore, the acting Financial Manager should have reviewed and approved the December Capital Property Reconciliation.

###### **Effect**

Failure to appropriately review the December 2017 Reconciliation of Capitalized Property Accounts Report could result in a misappropriation of assets or a misstatement of property, plant, and equipment on the balance sheet.

###### **Recommendation**

EEOC should have the appropriate level of management reviewing and signing off on the Capital Property Reconciliations to satisfy the control stated above and to ensure property, plant, and equipment is valued accurately in the Account Reconciliation Reserve Ledger Report and the general ledger. Additionally, when the appropriate level of management position is not filled, the responsibilities of that position should be clearly stated and conveyed to an appropriate level of management, whether that appropriate level of management be in an acting role or if that appropriate level of management is assigned to an existing FSSD employee by the Chief Financial Officer (CFO) or Acting Director. These responsibilities should be clearly documented and communicated throughout FSSD.

###### **Managements' Response:**

EEOC agrees with the finding. With the turnover of leadership within the Finance and Systems Services Division from November 2017 to the beginning of January 2018, there was no

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permanent Division Director/Manager. Finance and System Services Division has since hired two new supervisory/management positions, Supervisory Accountant, and Financial Manager, to provide review and approval over financial reporting deliverables. Monthly review of the reconciliation of capitalized asset report will resume in accordance to EEOC Financial Policy #12.

The appointment of the FSSD Acting Director was announced during the CFO meeting held on October 30, 2017. The transition of responsibilities was also discussed during this meeting.

We will implement additional organization's guidelines regarding the appointment of Acting Directors when a leadership position is vacant. An e-mail will be sent to all Office of the Chief Financial Officer (OCFO) staff and Interior Business Center (IBC).

### **Auditors' Response:**

FY 2019 audit procedures will determine whether the corrective actions have been implemented and are operating effectively.

## **B. Internal Control over SF-133 Review**

### **Condition**

We tested a sample of three (3) SF-133 reports as of December 2017, January 2018, and March 2018. During our testing, we noted the following:

- For the December 2017 and January 2018 SF-133 reports there was no evidence of review by the FSSD Director/Manager (or equivalent position). The email of the SF-133 from IBC to EEOC was not sent to the Director/Manager, there was no evidence of review by the Director/Manager and the Director/Manager wasn't on the approval email from EEOC back to IBC.

### **Criteria**

EEOC Financial Policy #19 states that IBC prepares the GTAS file from their accounting system, Oracle (OFF), then, submits to EEOC Accountant and Director for review and approval. After EEOC performs the quality review of the GTAS file, EEOC sends an email to IBC, giving approval to IBC to upload the GTAS file to Treasury.

### **Cause**

The email of the SF-133 from IBC to EEOC was not sent to the Director/Manager, there was no evidence of review by the Director/Manager and the Director/Manager wasn't on the approval email from EEOC back to IBC. The incoming Financial Manager of FSSD had not commenced employment with EEOC as of the December 2017 review and had just started at the time of the January 2018 review, therefore, the acting Financial Director/Manager should have reviewed and approved the December 2017 and January 2018 SF-133.

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#### **Effect**

Failure to appropriately review the December 2017 and January 2018 SF-133 by appropriate management could result in a misstatement of budgetary resources and improper management of the status of funds that were apportioned on the SF-132.

#### **Recommendation**

EEOC should have the appropriate level of management reviewing and approving the SF-133 to satisfy the control stated above and to ensure EEOC's Statement of Budgetary Resources is accurate. Additionally, when the appropriate level of management position is not filled, the responsibilities of that position should be clearly stated and conveyed to an appropriate level of management, whether that appropriate level of management be in an acting role or if that appropriate level of management is assigned to an existing FSSD employee by the CFO or Acting Director. These responsibilities should be clearly documented and communicated throughout FSSD.

#### **Managements' Response:**

EEOC agrees with the finding. An email will be issued to remind all the cardholders reminding them to comply with all the Purchase Card Guidance issued. Additionally, p-card holders will be reminded that a new Purchase Card Coordinator has been hired and the quarterly reviews will resume.

#### **Auditors' Response:**

FY 2019 audit procedures will determine whether the corrective actions have been implemented and are operating effectively.

### **C. Internal Control over Non-Payroll Operating Expenses**

#### **Condition**

We tested a sample of three (3) Monthly Purchase Card Statements (PBC E107). During our testing, we noted the following:

- Sample #1 was not approved until 148 days after cardholder submission.
- Sample #2 does not include a date of approval.
- Sample #3 does not include a printed name of the approver, date of approval, or telephone number of the approver.

#### **Criteria**

EEOC Order 360.003 Commercial Purchase Card Program, dated April 28, 2017, states that the cardholder must maintain a file of monthly credit card reconciled statements, which indicates approval by the Approving Official including: printed name, signature, telephone number and date.

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#### **Cause**

The Approving Official(s) did not timely review and approve the monthly credit card reconciled statements and did not follow the controls in place and include all required documentation for approval.

#### **Effect**

Failure to timely approve and appropriately sign off on the monthly purchase card statements could result in a misuse of purchase cards and a misappropriation of assets.

#### **Recommendation**

EEOC Standard Operating Procedure should include a prompt deadline for the approval of purchase card statements by the Approving Official. HRK recommends that purchase card statements be approved within 30 days from the time of submittal.

We recommend EEOC management follow-up with Approving Official(s) who have been found to not adhere to requirements of the Commercial Purchase Card Program and require them to obtain additional training, to include certifying they have read the Approving Officials responsibilities, as it relates to the aforementioned control.

#### **Managements' Response:**

EEOC agrees with the finding. With the turnover of leadership within the Finance and Systems Services Division from November 2017 to the beginning of January 2018, there was no permanent Division Director/Manager. Finance and System Services Division has since hired two new supervisory/management positions, Supervisory Accountant, and Financial Manager, to provide review and approval over financial reporting deliverables. Monthly review of the reconciliation of capitalized asset report will resume in accordance to EEOC Financial Policy #12.

The appointment of the FSSD Acting Director was announced during the CFO meeting held on October 30, 2017. The transition of responsibilities was also discussed during this meeting.

We will implement additional organization's guidelines regarding the appointment of Acting Directors when a leadership position is vacant. An e-mail will be sent to all OCFO staff and IBC.

#### **Auditors' Response:**

FY 2019 audit procedures will determine whether the corrective actions have been implemented and are operating effectively.

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**D. EEOC's Payroll Expenses**

**Condition:** We tested a sample of 63 payroll expense transactions and noted the following exceptions:

**Federal Employee Health Benefits (FEHB):**

- **One (1)** employees' FEHB withholding amount per the OPM FEHB Premium Rates chart (using the enrollment per the SF-2809) does not agree to the employee FEHB withholding amount per the ELS.
- **One (1)** employees' FEHB contribution amount per the OPM FEHB Premium Rates chart (using the enrollment per the SF-2809) does not agree to the employer FEHB contribution amount per the FPPS.

**Criteria:**

Office of Personnel Management, Guide to Personnel Recordkeeping Operating Manual, states:

'Each Office program that requires agencies to create personnel records, which may be used in making any determination about an individual, is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness of the record that would promote fairness to the individual in the determination. 5 U.S.C. 552a (e)(5). An agency holding an OPF concerning one of its employees is the custodian of the OPF during the period the person to whom it pertains is an employee of the agency and is responsible for the maintenance of that record regardless of format or media employed.'

'Agencies should have management controls to ensure personnel records are accurate and timely.'

Office of Personnel Management, *Guide to Personnel Recordkeeping Operating Manual*, Chapter 3, Filing Documents in the Personnel Folder, specifically identifies and contains instructions for filing the following:

- Health Insurance
  - Standard Form 2809 – Health Benefits Registration Form
  - Standard Form 2810 – Notice of Change in Health Benefits
  - Transcript – OPM approved documentation of health benefits enrollments processed electronically (for example, through Employee Express)
- Life Insurance – All life insurance forms must be filed in the eOPF
- Thrift Savings Plan
  - TSP1 – Thrift Savings Plan Election Form

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- Transcript – Transcript of thrift savings plan changes approved for use by the Federal Retirement Thrift Investment Board
- Notification of Personnel Action
  - Standard Form 50 – Notification of Personnel Action

#### **Cause:**

The internal controls in place over the recording and maintaining of complete and accurate records are not being consistently applied to employee personnel files.

#### **Effect:**

Failure to properly record and maintain official personnel records could lead to improper calculations of liabilities on the Balance Sheets and improper calculations of program costs on the Statements of Net Cost.

Improper official personnel records could adversely impact EEOC personnel upon separation of duty from EEOC or with personnel complaints filed by employees against EEOC.

#### **Recommendation:**

We recommend that EEOC require all changes to OPM identified filing documents in personnel files be reviewed by an HR professional and, where possible, reviewed by the employee, to ensure the accuracy of the official personnel file (eOPF). EEOC HR professionals should perform random eOPF audits, at least semi-annually, to ensure that current documentation is included in the files to support all payroll expenses, benefits, and deductions. Additionally, an HR professional should ensure all newly hired EEOC employees' eOPFs are complete and accurate, to include, where possible, having the employee review their eOPF. All separating employees' eOPF should be reviewed for accuracy by EEOC HR professionals and the separating employee.

#### **Managements' Response**

The Office of the Chief Human Capital Officer (OCHCO) will update its policy and procedures for proper implementation and application of all OPM and EEOC policies and procedures covering official personnel records. HR professionals will conduct bi-annual internal audits of employee personnel files to ensure documentation is accurate and current. We currently have an agreement with the Interior Business Center to automatically post changes made in Employee Express directly into eOPF. HR professionals will ensure all newly-hired EEOC employees' eOPFs are complete and accurate upon receipt. Additionally, all employees will receive an annual reminder to review their eOPF for accuracy. For separating employees, HR professionals will review the eOPF for accuracy and remind employees of the importance of reviewing their eOPF or maintaining a copy. Also, OCHCO is exploring the option to have a contractor conduct day forward scanning monthly.

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We have resolved the following findings:

*FEHB*

- Per the OPM FEHB Premium Rates chart, one employee's FEHB withholding amount (using the enrollment per the SF-2809) does not agree to the employee FEHB withholding amount per the ELS.
- Per the OPM FEHB Premium Rates chart, one employee's FEHB contribution amount (using the enrollment per the SF-2809) does not agree to the employer FEHB contribution amount per the FPPS.

**Auditors' Response:**

FY 2019 audit procedures will determine whether the corrective actions have been implemented and are operating effectively.