

## Executive Summary

We were engaged by the Office of Inspector General to conduct a performance audit of the efficiency and effectiveness of EEOC's Revolving Fund during fiscal year 2007. As a result of our audit we identified several deficiencies in the program.

The EEOC Education, Technical Assistance and Training Revolving Fund Act of 1992, authorized EEOC to provide education, training, and technical assistance relating to EEOC laws and enforcement to both the public and private sector on a fee basis. Since its inception, the program has developed and delivered technical assistance program seminars (TAPS), federal training courses, customer specific trainings (CSTs) and direct training product sales. Known as the EEOC Training Institute, the program is run by the Revolving Fund Division (RFD) in EEOC's Office of Field Programs (OFP).

We found that the Revolving Fund (RF) program lacks the vision needed to keep pace with the fastmoving world of technology and private competition in which it operates. A business plan was developed to provide a strategic guide for achieving RF objectives through the years FY 2003 – FY 2005. However, the plan has not been updated since that time. We found the focus of the program is to increase the quality and effectiveness of existing training vehicles but lacks a forward thinking strategy to ensure the program continues to meet the needs of its customers and remains competitive in the marketplace. Without a written business plan, there is no common understanding by EEOC stakeholders of the future direction of the RF program.

The RF is also challenged by legislative constraints that require that the fees charged for its services are reasonable and don't exceed the cost of providing the training. These requirements present a challenge to advancing the program into new areas and remain self-sustaining. Other alternatives may need to be explored such as the Economy Act in order for the program to continue to meet the needs of its stakeholders and customers.

In the absence of a business plan, a primary tool used by management for guiding, monitoring and evaluating the success of the program is the use of spending plans. In order for the program to break even, a spending plan for each training course or event is developed to project revenues and costs which is later updated with actual financial results. However, in the absence of a strategic direction for the program, the spending plans appear to have become an end in themselves rather than a means to an end, and the resources required to produce the spending plans needs to be evaluated based on the costbenefit to the program.

The RFD indicated that they are working at capacity with existing staffing levels. As a result, we found limited resources being put to new curriculum development and marketing, and no written policies and procedures exist that address the development, review and approval process of new training courses.

The needs of stakeholders in the RF program are frequently very different. For the OFP, the RF program is an integral part of the training and outreach efforts in EEOC district field offices. OFP is both responsible and accountable for the RFD and believes strongly that they should have the final say on any policy matters related to the RF. The Office of Federal Operations (OFO)

utilizes the RF to provide training on EEO regulations to federal agencies. OFO considers itself a significant stakeholder in the RF, but does not believe it has an equal voice in RF policies and direction. However, as long as one stakeholder is responsible and accountable for RF program results, the other can only have an advisory role in the future direction of the RF program. To adequately balance the needs of its stakeholders, the RFD should be independent of its stakeholders so that differences in perspective can be balanced without undue influence by any single stakeholder.

The RFD has very limited written policies and procedures related to the operations of the division. In addition, we noted, based on our interviews with RF staff, that there is no cross-training between staff to help ensure that continuity of operations can be maintained when someone is out. The lack of written policies and procedures coupled with the lack of cross-training in job responsibilities increases the risk the continuity of RF services could be disrupted.

The RFD has been hampered by its inability to readily access cost data and has not implemented procedures to provide assurance that the budgeted and actual information being reported in its spending plans is reliable and complete. Even though cost data is now available in the accounting system at a detailed level, there are no system reports that are designed to facilitate getting the information from the accounting system. The information is, however, readily available in electronic format that can be summarized and used, but the RFD does not currently have the technical skills needed to effectively utilize data in an electronic format. This inability to adequately obtain and use system-generated cost information results in RF staff continuing to prepare spending plans in a piece-meal, time-consuming manner and also contributes to the lack of reconciliation procedures between the accounting system and the spending plans.

We are making recommendations to EEOC management to ensure that:

- the RFD operate as an independent program within the agency to ensure that the interests of its customers are balanced among all stakeholders. The RF program should operate within an office that will advance its role in the training and outreach efforts of the agency rather than operate as a back office function in support of those efforts.
- EEOC approve the establishment of the EEOC Training Institute Steering Committee with the RF Director as the Chair of the committee.
- the RF business plan be updated to reflect the strategic direction, vision and goals of the program for the next three to five years and include a policy and process for the development and approval of new course offerings.
- the RFD develop written policies and procedures that address all aspects of its operations and initiate cross-training between job functions where reasonable and practicable.
- the RFD continue to work with the Office of the Chief Financial Officer to design useful system-generated reports that will provide more detailed financial information and to also explore ways to utilize available electronic information more effectively.
- RF spending plans are reconciled with amounts recorded in the accounting system to ensure the integrity of the financial data reported in the plan.
- the RFD seek professional assistance to develop a more effective budget methodology to project financial information with which to plan training events and monitor costs.

# **Background, Objectives, Scope and Methodology**

## **Background**

In 1992, the EEOC Education, Technical Assistance and Training Revolving Fund Act (the “Act”) (P.L. 102-411, amended by P.L. 104-66) was enacted which established a program that provided external education, training, and technical assistance relating to EEO laws, on a fee basis. This program, currently known as the EEOC Training Institute, offers seminars, courses and on-site customer-specific training programs to both the private and public sector. Trainers, who are subject matter experts in the area of equal employment laws and enforcement, instruct courses around the country, as well as at EEOC Headquarters in Washington DC. Various manuals, workbooks and other materials have been developed and are regularly updated to provide a wealth of information on an individual’s legal rights and responsibilities. The Act authorizes EEOC to charge reasonable fees to cover the cost of providing the education, training, and materials.

The EEOC Training Institute is under the general supervision of the OFP, RF Division of the EEOC and is headed by the Division Director. The Director of the RF is responsible for its overall management and administration. These responsibilities include preparing the annual budget, implementing appropriate financial planning, tracking and operating systems, and providing programmatic, administrative and operational direct oversight and guidance to support RFD staff and programmatic assistance to field offices conducting RF programs.

In FY 2007 the RF Division had eight employees. In addition to the Division Director, there is a Business Manager (General Accountant) who is responsible for the preparation and accuracy of the RF’s financial accounts and reports and assists in the preparation of the annual budget and general financial planning. The other six employees are Program Analysts who specialize in various aspects of the training programs. The RFD budget for FY 2007 was approximately \$5 million in support of its operations.

## **Objectives**

We were engaged by EEOC’s Office of Inspector General to conduct a performance audit of EEOC’s Education, Training and Technical Assistance Revolving Fund (RF). Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. A performance audit is an objective and systematic examination of evidence to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. The overall objective of the audit was to determine the effectiveness and efficiency of the program as it relates to the audit objectives which were to:

- Determine if the RF is organized and managed to balance all customer needs and what impact the current Agency’s governance structure has over the Revolving Fund operations.
- Determine if there is an effective review process for new offerings and discontinuing low use programs.

- Determine if there is an effective and inclusive process for developing business plans and if business plans address the full scope of potential technical assistance. Also, determine if the right people are involved in the business planning process for the RF.
- Determine if there is an effective working relationship between the Headquarters RF staff and the field staff.
- Determine how effective RF management is in controlling costs associated with the annual Excel Conference and what steps are taken to ensure that fees charged offset the costs of the event.
- Determine if there are any other program management operational issues which could be improved.
- Assess the adequacy and relevancy of performance measures relating to the Revolving Fund contained in the current Agency's Strategic Plan (e.g. Annual Measure 1.2) and any other performance measures developed by the RF and determine if these are the right measures.

## **Scope and Methodology**

Audit fieldwork was conducted from July 2007 through December 2007. The scope of the audit addressed FY 2007 program results, as well as comparative financial and indirect cost analysis performed against FY 2006 data.

In performing our audit, we conducted interviews with the Director of the RFD and all RF staff, the Director of the OFP, the Acting Director of the Office of Field Coordination Programs, the Director of the OFO and OFO Federal training staff, EEOC's Chief Operating Officer, Chief Financial Officer, and Associate Legal Counsel. On a sample basis, we also made inquiries of Program Analysts located in the field offices to determine their overall satisfaction with the Revolving Fund program and recommendations for improvements or enhancements of the program.

We reviewed all legislation applicable to the RF program, as well as internal legal opinions and comments that comprise the legal requirements and guidance that defines the legal environment in which the RF program operates. We gained an understanding of current performance measures related to the RF and performed an analysis to determine their adequacy.

We obtained an understanding of the planning, execution and wrap up of the FY 2007 EXCEL Conference held in Denver, Colorado and reviewed any applicable policies and procedures. We examined the conference spending plan process from the development of the initial budget through the actual costs incurred. Selected costs were analyzed and the terms of FY 2006 and FY 2007 hotel contracts were reviewed. An overall analysis was performed of conference revenues and associated costs for both years.

The most current RF business plan was obtained and an assessment was made of the status of various elements of the plan relative to current RF operations. The methodology followed in the RF indirect cost calculations was examined and selected costs analyzed.

An exit conference was held at EEOC Headquarters on December 6, 2007. Observations and recommendations contained in this report were discussed with those attending.

For EEOC:

Jeffrey Smith	Chief Financial Officer
Nicholas Inzeo	Director, Office of Field Programs
Linda Lawson	Director, Revolving Fund Division
John Schmelzer	Acting Director, Field Coordination Programs
Carlton Hadden	Director, Office of Federal Operations

For EEOC-OIG:

Aletha L. Brown	Inspector General
Milton Mayo	Deputy Inspector General
Willie Eggleston	Senior Auditor

For WithumSmith+Brown:

Nancy Davis	Partner, WithumSmith+Brown
Maureen Wagner	Manager, WithumSmith+Brown

## **Findings and Recommendations**

### **1. Lack of Vision Hampers EEOC's Revolving Fund from Effectively Achieving Its Mission**

EEOC's Training and Technical Assistance Revolving Fund (RF) was created by Congress to provide a broad education, outreach and technical assistance program by way of fee-based programs to EEOC stakeholder groups. To accomplish this objective, the program has developed and delivered technical assistance program seminars (TAPS), federal training courses, customer specific trainings (CSTs), and direct training product sales to the private and public sectors since its inception in 1992. A business plan was developed in FY 2002 to provide a strategic guide for achieving RF objectives through the years FY 2003 – FY 2005, but the plan has not been updated since that time. The focus of the program today emphasizes the increased quality and effectiveness of its existing training vehicles which includes whether those vehicles financially break-even. However, the program lacks the vision needed to keep pace with the fast-moving world of technology and private competition in which it operates. If an agency or program does not constantly adapt to its changing environment, it runs the risk of no longer meeting customer needs or remaining competitive in the marketplace.

#### Current Organizational Structure

EEOC's Training Institute (or RF program) is managed by the RFD within the Office of Field Programs. The Office of Federal Operations also works in conjunction with the RFD in planning and conducting federal training courses and CSTs for the federal sector. The Office of Legal Counsel (OLC) participates in the RF program by providing subject matter experts as speakers for various training programs, legal guidance in interpreting RF legislative requirements and constraints, and annual review of RF training manual updates.

The RFD also works directly with Program Analysts in field district offices to assist in coordinating and overseeing all TAPS and CSTs programs provided to the private sector. RF personnel have monthly conference calls with Program Analysts in the district offices to discuss training issues and exchange ideas. The RF Director also provides input annually to the OFP Director regarding RF goals for each District Director in the coming year (number of TAPS and CSTs to be conducted). Achievement of these RF goals is assessed annually as part of District Directors' performance evaluations.

The RFD consists of eight full-time employees. Each individual has various responsibilities but spends the majority of his/her time as indicated:

- Supervisory Program Analyst (Revolving Fund Director)
- Accounting Officer (Business Manager)
- Program Analyst (TAPS Coordinator)
- Program Analyst (Excel Conference Project Manager)
- Program Analyst (Curriculum Developer / Trainer)
- Program Analyst (Materials Updates and Course Evaluations)
- Program Analyst (Budget Analyst and Accountant)
- Program Analyst (Customer Service)

In addition, the RFD funds support two positions in the OFO: a Developer / Trainer position (partial funding) and full-time support for an Equal Opportunity Assistant who processes CST agreements and provides physical support for all federal training courses held on-site at EEOC headquarters.

### Impact of Revolving Fund Legislation

In 1992 the EEOC Education, Technical Assistance, and Training Revolving Fund Act established the Revolving Fund program and how training fees are to be determined:

“Such fees for any education, technical assistance or training-

- (i) shall be imposed on a uniform basis on persons and entities receiving such education, assistance, or training,
- (ii) shall not exceed the cost of providing such education, assistance, and training, and
- (iii) with respect to each person or entity receiving such education, assistance, or training, shall bear a reasonable relationship to the cost of providing such education, assistance, or training to such person or entity.”

This legislation created the EEOC Revolving Fund as an enterprise fund that carries out a cycle of business-type operations by providing training and technical assistance services to the public for a fee. By recovering the costs of providing these services via the fees, the RF should be self-sustaining. However, the statute language challenges the entrepreneurial efforts of the RF that are found routinely in the private sector by also requiring the RF to operate within a federal framework. This constraint has generated much discussion within EEOC over the years, and the RFD has repeatedly turned to the Office of Legal Counsel to provide interpretations on what the

RF program legally can or cannot do. In FY 2000 the Office of Legal Counsel issued a memorandum which discussed in detail the application of the “uniform fee” provision:

*“...we have interpreted the “uniform fee” provision to require the Revolving Fund to charge the same price for the same product.... Difference in the fee charged may be based only on differences in the cost of presenting the same programs or products.”*

The fees charged for a particular training product or materials must be the same (uniform) for all participants. However, the fees may be adjusted to reflect the variation in costs of presenting the training from one location to another.

The other provisions require that fees charged should not exceed the cost of providing the training and should be reasonable. Unlike its private sector counterparts, the RF does not operate with a profit motive. Its “bottom line” focus is one of financially breaking even. This emphasis on break-even is currently interpreted by RF management to mean that each training, seminar, or product must break even as a means to ensure that the program as a whole covers its costs. This interpretation has given rise to the extensive use of spending plans that report both the budget and actual revenues and costs of each training or seminar conducted and is a primary basis for evaluating proposed new course offerings.

RF legislative constraints and how those constraints are interpreted will continue to have a significant impact on the future direction of the program. In an environment of increased competition by private sector training companies and advancements in technology, the RF, as a business, must be able to anticipate changes in the marketplace and find ways to evolve as a program within its legislative framework. As the program has access to increasingly reliable cost data with which to manage the program, the RF program will be challenged to find ways to advance new ideas within the constraints imposed by its legislation. Other alternatives may need to be explored such as the Economy Act, and changes in the legislation may become necessary for EEOC to effectively move its training programs forward in the years to come.

### Business Plan versus Spending Plan

A business plan was developed for the RF covering FY 2003 – FY 2005. Its purpose was to “chart a course for its (the RF program’s) future as an integral part of the EEOC’s mission.” The mission of the RF program as stated in the plan is:

*“...to provide fee-based, in-depth training and technical assistance programs, services and products that are responsive to the needs of agency stakeholders and support the Agency’s efforts to prevent discrimination and promote equal opportunity in employment. The RF’s training and technical assistance program shall be broadly focused, responsive, enterprising, self-supporting and strengthen Agency credibility. The training services and products shall be practical, innovative, diverse, audience-targeted, customer-friendly, cost-effective, professionally packaged and delivered, and strengthen Agency credibility.”*

The plan provided strategic direction on how the RF would move forward to accomplish its mission. It addressed the unique challenges of operating in both an entrepreneurial and

government environment, the need to maintain up-to-date training products, set marketing goals, adapt its organizational structure to become a more efficient, cost-effective program, and establish financial objectives to achieve self-sufficiency.

However, the business plan has not been updated since FY 2005 and has not been used as a management tool to run the program. The reasons given are the RFD is waiting to see what potential impact EEOC Headquarters re-organization would have on the RF program and whether a new RF steering committee will be established. The development of a business plan has been proposed to be one of the responsibilities of the new steering committee. Without a written strategic plan that lays out a direction for the program over the next few years, there is no common understanding by EEOC stakeholders of where the RF program is moving. Program policy decisions are made by those individuals directly responsible for the RF program which has resulted in some RF stakeholders feeling excluded from the process.

A business plan serves many purposes and is an essential part of any successful business. It sets a vision and defines the goals and objectives to be achieved, and it should map out a plan of action on how to achieve those goals. It also serves as a strong written communication tool to help others involved with the business to understand the vision and direction the business is going. <sup>1</sup>

In the absence of a strategic business plan, the RFD's key management tool for guiding, monitoring and evaluating the success of the RF program is the use of spending plans. For each training course or event, a spending plan budget, including a projection of fees based on estimated participants, is developed by the office conducting the training and submitted to the RFD for review and approval. After the event is completed, the actual revenues and expenses of the event are recorded in the spending plan to facilitate comparison with the budget and to determine whether or not the event broke even.

Although the RFD does not have any written internal performance measures, the three indicators actively used by RFD staff to evaluate the RF program are the spending plans, course attendance levels, and course evaluations forms completed by participants. If a course financially breaks even, has adequate attendance from year to year to cover its costs, and receives good evaluations, it is deemed to be a successful event.

While spending plans are certainly a tool for managing the program, their value should be assessed in the context of the strategic direction of the program. They should be utilized as a means to an end and not become an end in themselves. The resources required to produce spending plans at the project level needs to be evaluated based on its cost-benefit to the overall program. This evaluation cannot be done in the absence of written program goals and objectives as is commonly found in a business plan.

### Curriculum Development

The RFD indicated that they are working at capacity with existing staffing levels. This limits their ability to move forward in areas of new curriculum development and marketing. Ideas for new courses generally come from the public, and are developed by individuals outside the RFD. There are no written policies and procedures that address the development, review and approval

process followed for new training courses. It's currently an informal process. There is an emphasis on developing a spending plan for any new proposed course. Generally, if it can't be shown to break even within a fiscal year, the new offering is not approved.

RFD resources are currently directed toward customer service and registration management, EXCEL Conference project management, Fair Employment Practice Agency (FEPA) training coordination, participant evaluation processing and reporting, RF financial management, materials updates, and TAPS coordination. The RF staff is very customer oriented, and stakeholders at Headquarters and in the field offices indicated a general satisfaction with the services being provided on a day-to-day basis. To that end the RFD is organized and managed to balance its customer needs.

However, without a strategic direction and the resources to enhance and develop course offerings, the RFD resembles a back office function to the training and outreach efforts of OFP and OFO. The ability to hire more staff and expand its resources is driven by whether there is revenue to cover the additional cost, but when funds became available to provide FEPA trainings, the decision was made not to hire an additional person to handle the increased RFD workload. The individual responsible for RF curriculum development and training was assigned the job. This means that for a period of more than eighteen months, the RFD has had no one actively involved in curriculum development outside of its existing programs. The RF Director indicated that she thought the FEPA trainings would be completed within a year. In hindsight, she now believes an additional person should have been found to handle this project.

#### Governance of the Revolving Fund

The EEO training programs and needs of the federal and private sectors are very different, but the revenues generated by both have been comparable from year to year. Under the existing organizational structure, OFP is both responsible and accountable for the RF program and therefore, believes strongly that it should have the final say on any policy matters related to the RF. OFP also believes that the RF program is such an integral part of the training and outreach efforts in the district field offices that a change in the current governance structure of the RF would negatively impact those efforts.

OFO, on the other hand, sees itself as an equally significant stakeholder in the RF program, but does not believe it has an equal voice in RF policies and direction. Although OFP has proposed the creation of an EEOC Training Institute Steering Committee, OFO does not believe that being provided an advisory capacity provides sufficient authority and control to advance ideas and change if OFP does not concur. Both OFP and OFO have very strong and sometimes conflicting perspectives on the future direction the RF program, but as long as one stakeholder is responsible and accountable for RF program results, the other stakeholder will not have an equal voice in the future strategic direction of the program to the end that its customers needs may not be met.

Governance is the system by which companies, entities, programs or projects are directed and managed. More specifically, public sector governance covers:

*“...the set of responsibilities and practices, policies and procedures, exercised by an agency’s executive, to provide strategic direction, ensure objectives are achieved, manage risks and use resources responsibly and with accountability.”<sup>2</sup>*

Good governance is important in that it helps an organization achieve its objectives and create value while providing accountability and internal controls based on the risks involved. While there is no single “best” model of governance, an agency or program must constantly adapt its model to meet the changing circumstances of its environment.

For the RF program to continue to adapt to the changing marketplace in which it operates, it must have the vision and leadership to be able to set strategic direction for the training and outreach efforts of the agency, recognize and effectively address the needs of its different stakeholders, successfully manage the financial and business environment in which it operates, and achieve and maintain self-sustainability. To do this the RF Director should be independent of its stakeholders so that differences in perspective can be balanced without undue influence by any single stakeholder. This independence would also encourage the successful creation of an EEOC Training Institute Steering Committee where RF stakeholders would have a platform to participate in the direction of the program with the RF Director being the appropriate decision maker in conjunction with the consensus and recommendations of the committee members.

## **Recommendations**

We recommend that EEOC management ensure that:

1. the RFD operate as an independent program within the agency to ensure that the interests of its customers are balanced among all stakeholders. The RF program should operate within an office that will advance its role in the training and outreach efforts of the agency rather than operate as a back office function in support of those efforts.
2. EEOC approve the establishment of the EEOC Training Institute Steering Committee with the RF Director as the Chair of the committee.
3. the RF business plan be updated to reflect the strategic direction, vision and goals of the program for the next three to five years and include a policy and process for the development and approval of new course offerings.

## **Management’s Response**

### Revolving Fund Division, Office of Field Programs

RFD management strongly disagrees with the recommendation that the RF should operate independently from OFP. The report does not detail how the RFD has been unduly influenced or negatively affected by its location in OFP and does not detail how an independent RF program would be able to operate effectively. There were compelling reasons for locating the RF in OFP. To operate independently would require organizational and management obstacles to be overcome in order for the RF to become viable in another setting.

Although RFD management wholeheartedly embraces the recommendation for updating the business plan, it does not believe that lack of an updated business plan has impeded the RF from continuing to meet its mission nor does it believe that the lack of a written business plan means that the RFD cannot, or does not adjust to changes in the business environment, particularly the training business environment. The RFD believes it does have a vision and has provided leadership which has resulted in vibrant product lines that will continue to grow and to be successful and a program that has become self-sustaining.

The RFD does not believe that the auditors statements regarding curriculum development to be adequately supported by the facts. In the RFD's full response to the report (which can be found in the Appendix) includes a thorough discussion of recent curriculum development efforts.

#### Office of the Chief Financial Officer

The CFO indicated that while there are brief discussions about "uniform fees", performance measures, and the need for more curriculum development, he believes that additional discussion, conclusions and recommendations are needed to adequately address these issues.

### **Auditors' Conclusion**

We reported that the focus of today's RF program emphasizes the increased quality and effectiveness of its existing training vehicles. The RFD's response does enumerate many of the successful aspects of the current program. However, the bigger issues that confront the RF program relate to the lack of vision and strategic direction for the program in light of the competitive market in which it operates. It also involves the need to effectively address the needs of all stakeholders in the program which the current organizational structure does not facilitate. We consider our recommendations that the RFD operate as an independent program within the agency and that an EEOC Training Institute Steering Committee be established are unresolved. These issues should to be addressed before an update of the RF business plan can be successfully undertaken.

This type of performance audit is designed to report on the operating efficiency and effectiveness of the RF program during FY 2007. It endeavors to provide conclusions based on sufficient, appropriate evidence against criteria. A performance audit provides objective analysis on how a program is currently functioning so that management can use the information to improve the program performance and operations. Our conclusions and recommendations should provide a starting point from which a detailed strategic direction for the RF program needs to be developed.

### **2. Risk of Discontinuity of Operations**

The RFD has very limited written policies and procedures related to the operations of the division. Specifically we noted there are not adequate policies and procedures for the development and review of new course offerings, the write-off of accounts receivable, the methodology used for developing the RF indirect cost rate and reimbursement cost allocation to EEOC, as well as general operating procedures for significant functions.

In addition, we noted, based on our interviews with RF staff, that there is no cross-training between staff to help ensure that continuity of operations can be maintained when someone is out. For example, course evaluation processing and reporting stopped until the individual responsible for that function returned to work because no one else knew how to use the software program utilized for that purpose. It was also noted that the Business Manager is scheduled to retire effective January 2008, and there are limited written policies and procedures related to his job function. The expectation is that when position is filled, there is enough information in the files for a successor can figure out what to do.

OMB Circular A-123, *Management's Responsibility for Internal Control*, states: "Management is responsible for developing and maintaining effective internal control. Effective internal control provides assurance that significant weaknesses in the design or operation of internal control, that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner. Internal control – organization, policies, and procedures – are the tools to help program and financial managers achieve results and safeguard the integrity of their programs."

The lack of written policies and procedures coupled with the lack of cross-training in job responsibilities increases the risk that the continuity of RF services could be disrupted.

## **Recommendation**

4. We recommend that EEOC management ensure that the RFD develop written policies and procedures that address all aspects of its operations and initiate cross-training between job functions where reasonable and practicable.

## **Management Response**

### Revolving Fund Division, Office of Field Programs

RFD Management agrees that more procedures on the internal operation of the division should be developed but points out that substantial guidance has been issued on the operation of the TAPS and CST seminars in the field offices, as well as a Program Analyst Desk Book. RFD will work to address this matter as fully and promptly as possible.

Management strongly disagrees that there is no cross training between RF staff. RFD does ensure that critical functions are covered when staff is absent. Management believes the audit report is not accurate in this regard and misrepresents the information supplied to the auditors.

### Office of the Chief Financial Officer

No comments.

## **Auditors' Conclusion**

The recommendation concerning the need for written internal operations policies and procedures is resolved with closure dependent upon completion and review of the new documented procedures.

While management takes issue with our finding related to the need for additional cross training within the RFD, the conclusion of the auditors is based on the audit procedures performed and audit evidence gathered from multiple sources. No single source forms the basis for our conclusions. We disagree with the assertion that the report finding is inaccurate and misrepresents the information provided to us. Therefore, this recommendation is unresolved, pending receipt and review of a corrective action plan.

### **3. Spending Plan Preparation Process and Data Integrity Needs Improvement**

The RF has significantly improved its financial reporting from prior years. Previously the RFD was not able to accurately capture and report program and project costs because EEOC's financial systems were not adequate for that purpose. However, since the implementation of the cost accounting system, salary and other direct costs associated with RF training courses and products can now be recorded by Fund Code at the program level and at the individual product level through the use of Project Codes. FY 2007 is the first full year where project level data has been available for both revenues and costs. However, the RFD has been hampered by its inability to readily access the data and has not implemented procedures to provide assurance that the budgeted and actual information being reported in its spending plans is reliable and complete. The financial results and FY 2007 spending plan of the annual EXCEL Conference provides an appropriate illustration:

#### EXCEL Conference Spending Plan

The RF utilizes a spending plan as a tool to report the conference budget and financial results. The spending plan is developed by a RF Program Analyst and is based on knowledge of the conference and an understanding of event planning. The spending plan is the primary mechanism used by the RFD for tracking and controlling spending.

We noted that a variety of sources are utilized for the data included in the spending plan. For example, payroll information is recorded in the aggregate in the general ledger so payroll detail at the Project Code level must be obtained from the cost accounting system. This information is available electronically to be sorted and summarized. Other information comes from sources such as vendor contracts like the hotel and related detailed invoices. The Program Analyst manually enters the information into the spending plan spreadsheet at a very detailed level which is extremely time-consuming. However, there are no procedures in place to ensure that the spending plan reconciles with the general ledger after being prepared in this piece-meal fashion. For example, non-personnel direct conference costs in the general ledger recorded to the EXCEL conference were \$400,397 but the spending plan total reported \$421,821. Because the general ledger is the financial system of record and not the spending plan, it is important that variances in amounts are individually identified and documented in order to ensure the integrity of the data reported in the spending plan. Where general ledger information is recorded at a more summary

level than is reported in the spending plan, the spending plan data should be aggregated to facilitate reconciliation procedures.

OMB Circular A-123, *Management's Responsibility for Internal Control*, states that "the agency head must establish controls that reasonably ensure that...revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports...."

Even though cost data is now available in the general ledger and the cost accounting system at a detailed level, there are no system reports that are designed to facilitate getting the information from the accounting system. The RFD has begun working with the Office of the Chief Financial Officer (OCFO) and the Office of Information Resources Management to develop some additional reports. The information is, however, readily available in electronic format that can be summarized and used, but the RFD does not currently have the technical skills needed to effectively utilize data in this format. This inability to adequately obtain system-generated cost information results in RF staff continuing to prepare spending plans in a piece-meal, time-consuming manner and also contributes to the lack of reconciliation procedures between the general ledger and the spending plans.

With the availability of increasingly reliable cost data from the general ledger, analysis of the financial results of the conference from year to year will become more meaningful as a tool to monitor and control costs. While breaking even is the financial goal of the conference, additional analysis is needed to examine underlying trends and relationships. Otherwise, positive financial results from one year may not duplicate in the next year. For example, summary financial results of the FY 2007 and FY 2006 EXCEL Conferences based on the spending plans are as follows:

	<b>FY 2007 Actual</b>	<b>FY 2006 Actual</b>	<b>Difference</b>	<b>% Difference</b>
1. Total Revenue	\$827,920	\$933,230	\$(189,310)	
2. Total Expenditures	819,960	1,009,853	(189,892)	
3. Net Income / (Loss)	<b>7,960</b>	<b>(76,623)</b>	<b>84,582</b>	
<b>TOTAL COSTS (DIRECT AND INDIRECT)</b>				
<b>A. Direct Costs</b>				
1. Hotel Costs:				
Food and Beverage	196,190	276,917	(80,727)	-29%
Room	14,852	12,819	2,033	
Other	40,680	40,275	405	
Subtotal Hotel	251,722	330,011	(78,290)	

## 2. Additional Costs:

Contractor & External Presenter Cost	53,278	38,218	15,060	
Course Materials & Supplies	52,232	51,970	262	
Travel Costs	38,610	58,640	(20,029)	-34%
Marketing/Printing and Mailing	12,783	34,256	(21,473)	-63%
Onsite Registration & Planning Meetings	11,780	15,969	(4,189)	
Miscellaneous	1,417	5,026	(3,609)	
Subtotal Additional Costs	170,100	204,078	(33,979)	
Subtotal Other Direct Costs	421,821	534,090	(112,268)	
3. Salary Costs	116,646	158,465	(41,819)	-26%
<b>Total Direct Costs</b>	<b>538,467</b>	<b>692,555</b>	<b>(154,087)</b>	

## B. Indirect Costs

1. Registration System - 10%	82,792	93,323	(10,531)	
2. General & Admin Cost - 24%	198,701	223,975	(25,274)	
<b>Total Indirect Costs</b>	<b>281,493</b>	<b>317,298</b>	<b>(35,805)</b>	
<b>TOTAL COST (DIRECT AND INDIRECT)</b>	<b>\$819,960</b>	<b>\$1,009,859</b>	<b>\$(189,892)</b>	

The cost data indicates a significant improvement in the results from FY 2006 to FY 2007, and in FY 2007 the EXCEL Conference broke even based on the spending plan. Further analysis notes that this improvement was the result of cost savings in three major areas. The food and beverage costs dropped \$70 per person due to the change in hotel location from Las Vegas to Denver. Significant savings were realized in reduced printing costs by changing sources from GPO to a private vendor. In addition, the RFD was more aggressive in monitoring and reducing direct EEOC salary and travel costs (direct salary costs include all costs associated with the conference from planning through the actual event). However, if the conference fees had been reduced from the prior year to reflect the reduction in hotel costs due to the change in location, the conference would not have broken even. The potential impact on costs to move the conference from Denver to Chicago in FY 2008 will need to be examined carefully before fees are determined to minimize the possibility of cost overruns.

## Budget Reporting

A budget should be considered a financial plan for an event and should begin with the ultimate outcome in mind. Actual results that are close to the projected results demonstrates an understanding of the event and exhibits success in controlling costs based on the planned direction. We noted there was a \$81,544 variance between projected and actual EXCEL conference expenditures per the FY 2007 spending plan which indicates that the RFD does not yet have an effective process for developing reliable budget projections.

The FY 2007 budget for the EXCEL Conference projected an \$84,259 loss. Based on this initial projection, an increase in conference fees was considered to cover the shortfall. Later it was decided not to increase the fees yet the actual financial results of the conference reported a profit of \$7,960. The comparison of the FY 2007 budget to actual is as follows:

	<b>Budgeted</b>	<b>Actual</b>	<b>Difference</b>
Revenue:	817,245	\$ 827,920	\$ (10,675)
Expenses:			
Direct	623,641	538,467	85,174
Indirect	277,863	281,493	(3,630)
Total:	901,504	819,960	81,544
Net Income / (Loss)	\$ (84,259)	\$ 7,960	\$ (92,219)

An analysis of FY 2006 showed a similar pattern in that the budget projected a loss of \$137,871 but the conference realized an actual loss of only \$76,623.

The budget projections are prepared at a very detailed level in an effort to develop as accurate a budget as possible. However, this methodology has proven to not be reliable as indicated by the large variances between the budget and actual amounts each year. The lack of reliable cost information on which to develop a budget and a lack of financial knowledge on how to effectively design a budget has resulted in the budget process for the EXCEL Conference not being useful in controlling the conference costs based on a planned direction.

SSFAS #4, *Managerial Cost Accounting Standards and Concepts* States that “one of the most important aspects of reporting in which managerial cost accounting plays a role is that of performance reporting. Measuring and reporting actual performance against established goals is essential to assess governmental accountability.”

## **Recommendations**

We recommend that EEOC management ensure that:

5. the RFD continue to work with the Office of the Chief Financial Officer to design useful systemgenerated reports that will provide more detailed financial information and to also explore ways to utilize available electronic information more effectively.
6. RF spending plans are reconciled with amounts recorded in the accounting system to ensure the integrity of the financial data reported in the plan.

7. the RFD seeks professional assistance to develop a more effective budget methodology to project financial information with which to plan training events and monitor costs.

## **Management's Response**

### Revolving Fund Division, Office of Field Programs

RFD management agrees that more detailed financial reports are needed and indicated on-going efforts by RFD to obtain the desired reports. However, management takes issue with the statement that information is "readily available" to them in electronic form because it requires highly technical skills to utilize data in this format which management believes is impractical for RFD staff.

The RFD staff will ensure an accurate reconciliation of actual costs recorded in the accounting system and general ledger to the costs reported in the spending plans.

RFD management generally agrees with the purpose of a budget as reported, but does not believe the purpose and utility of RFD spending plans was clearly understood. RFD staff use spending plan budgets to perform "what if" scenarios based on projected attendance at its seminars. As attendance numbers and actual costs become known, the spending plans are adjusted to reflect current information; however, the RFD acknowledges the need to continue to refine and improve its financial planning process for the EXCEL conference.

### Office of the Chief Financial Officer

No comments.

## **Auditors' Conclusion**

We consider the recommendations related to the need for improved system reports and the proper reconciliation of actual event costs to the general ledger to be resolved. Closure is dependent on the development of meaningful financial reports and the implementation of effective reconciliation procedures.

We understand the purpose and utility of the spending plans as they are currently used. However, because of the lack of readily available detailed cost information and the lack of understanding of how to effectively utilize a budget to project and monitor costs, we continue to recommend the RFD seek professional assistance to develop and strengthen the budget methodology it follows in preparing its spending plans. This recommendation remains unresolved.

## **Appendix**

### **Management's Response**

The official responses to the findings and recommendations in this report by the Revolving Fund Division and the Office of the Chief Financial Officer are included here in their entirety.

## **Finding 1**

### **Revolving Fund Division, Office of Field Programs:**

#### Business Plan

RFD wholeheartedly embraces the recommendation for updating the business plan. However, we do not believe that lack of an updated business plan has impeded the Fund from continuing to meet its mission. The report does not define what the auditors believe the mission to be or note any specific ways in which it is not being met, nor did it request anyone in RFD to articulate the mission.

- RFD's programs, services and products are responsive to its customers and support the Agency's efforts to prevent discrimination and promote equal opportunity in employment. RFD's program offerings have strong customer interest, many of them return year after year, and programs are highly rated by attendees. Customers consistently report that the training has had an impact on their companies' policies and procedures.
- During the last two years, since expiration of the business plan, RFD's programs have continued to move forward, have all become self-supporting and have strengthened the Agency's ability to meet its mission in several different ways. As noted elsewhere, during this period new courses have been developed, a nationwide training initiative was implemented that included virtually all FEPAs nationwide, field offices have begun to explore new offerings, such as the workshop intensives offered by WFO, NYDO and now being considered by other offices, etc.

That the business plan requires updating does not necessarily translate into operating without a vision. Nor does the audit assumption that lack of a written business plan mean RFD cannot, or does not adjust to changes in the business environment, particularly the training business environment. To the best of our knowledge, this subject was not explored to any degree that would set forth the actual facts one way or the other. The lack of a factual basis for their recommendation is illustrated by a verbal recommendation made by one of the auditors during the exit conference, when she recommended RFD develop and offer training on religious discrimination. Had anyone inquired of RFD management as to what course offerings were available, or the extent of course development during the past two years, they would have learned that several courses have been developed, one of which is a one-day course on Religious Discrimination.

When the effective date expired for the business plan at the end of 2005, there was no sudden loss of direction or momentum. These "outcomes" were presented "as a given" by the auditor, but no one asked whether RFD could articulate a vision, or did the audit explore in any depth exactly how the Fund did in fact operate in this regard. While it is desirable to reduce strategic plans and visions to writing, the absence of a written document does not mean that RFD has put on blinders, or suddenly lost the ability to think and plan strategically. The valuable input and

experience from RFD staff, from those who regularly do business under the Fund, from stake holders and customers continues to flow.

- If RFD truly operated as a back office function to the degree the auditors state, then it would not find itself in the position it now occupies--self-sustaining and competing successfully in the sale of its products in a very competitive environment. Many companies with good credentials offer EEO training events and products, and prominent law firms charge small or no fees for EEO seminars
- so that they can attract potential legal clients. Yet, RFD's current product line continues to thrive and new offerings have continued to be developed over the course of the last two years.
- RFD has a large cadre of employers who come to our programs year after year and attendance is increasing. Because of the Revolving Fund Act, RFD cannot expect to generate profits from its products. However, after our final accounting of expenses and income for FY07, we believe RFD will be in a better position to allocate funds and research some higher-risk new product lines.

Over the last three years RFD has developed the following guiding principles They are:

- To offer to our customers quality products at a price they are willing to spend and which covers our costs.
- To have overall RFD revenues cover costs each year and to strive to have each product line cover its costs. RFD's position is that one product line should not have to produce revenue greater than its costs to make up for a product line that does not cover its costs.
- To maintain and improve the quality of each of our product lines while still carefully monitoring costs (to prevent needed cost reductions from affecting the quality of programs).
- To continually review and modify current product lines taking into account information on customer interest and demand.
- To manage fund expenses and price products so that RFD will have available funds to develop new products without endangering the overall financial viability of the Fund.
- As financial and staff resources permit, to carefully research, pilot (as appropriate) new product lines which meet customer demand and can be reasonably expected to cover costs.
- To contribute to the agency's overall agency mission to prevent and eradicate discrimination through preventive education--our training programs.

These principles have guided the Fund well.

The audit team did not ask about this matter but for several years the RFD has been collecting data on the results and outcomes of attending its TAPS seminars and EXCEL Conferences. The results are impressive.

For the first time in its history, beginning in FY 2006 the Fund fully covered its costs by the revenues generated. In FY 2007 not only were costs covered for the Revolving Fund overall, but another first, the Fund covered its costs for each of its *individual product lines*. Although overall

the Fund covered its bottom-line costs for FY06, by bringing heavy focus on program analysis and those product lines which had a deficit, we have ensured that all product lines are now self sufficient and are covering their costs. Self-sufficiency is absolutely critical to moving the Fund forward into new areas and has been one of its major challenges since inception. As far as we can tell, the auditors never addressed whether the Fund did, or did not sustain itself.

RFD recently received an Unqualified Opinion for the Financial Statement audit conducted for RF's FY 2007 balance sheet. Because this was a first year audit, we believe this makes the Unqualified Opinion even more meaningful. (For example, when EEOC underwent its first agency wide Financial Statement audit it failed to receive this favorable Opinion.)

### Business Plan versus Spending Plan

There are a number of incorrect statements in this portion of the report summary.

For example, a statement is made in this section that RFD funds two positions in the OFO: a Developer / Trainer position (partial funding) and full-time support for an Equal Opportunity Assistant who processes CST agreements and provides physical support for all federal training courses held on-site at EEOC headquarters. This information is obsolete. Had the auditors attempted to confirm or request accurate salary and benefit information, it was readily available, from RFD. Until three years ago, prior to the implementation of the cost accounting system, it was true that the RFD funded two positions in OFO to work on its Revolving Fund events. However, with the implementation of the cost accounting system, RFD funding of staff costs is based on the hours reported in cost accounting, not specific positions and the amount of reimbursement has not been limited to two FTEs.

1. Also in this section, the report states RFD measures its success by three things: spending plans, course attendance and course evaluations. This is a very narrow characterization of how RFD measures success. If asked, RFD management could have at least articulated its own position on this matter. For example, one important measure of success is whether a product line covers its costs.

We concur with the auditors that spending plans "should be [and are] utilized as a means to an end "but are not an end in themselves. RFD does not rely on spending plans as a measure of success but simply an effective mechanism to collect and display information for decision-making and assessment.

Likewise, attendance at a specific event is not, in and of itself, a measure of the success of the RFD. For some product lines, like OFO and field CSTs, it is not a relevant measure, rather it is the number of events requested by customers, the number of repeat customers, or the number of total training hours of CST requested and delivered.

The audit devoted much time and focus on RFD's use of spending plans and in particular the spending plan for EXCEL as opposed to other broader areas that have significant impact on the Fund. Once again, RFD can only reiterate that spending plans are not used as characterized, but rather are a sophisticated management tool to gather, project and assess financial and other

relevant information about a product line. In the particular case of the EXCEL conference, the various spending plans helped to educate the EXCEL Executive Committee about how to plan the conference so that it could cover its costs. Further, spending plans are designed differently by product line, and are not intended to serve as a final budget for events where they are employed in the initial planning stages. A more detailed discussion of RFD's use of spending plans is included in the Appendix.

The report states that "The ability to hire more staff and expand its resources is driven by whether there is revenue to cover the additional cost, but when funds became available to provide FEPA trainings, the decision was made not to hire an additional person to handle the increased RFD workload. The individual responsible for RF curriculum development and training was assigned the job. This means that for a period of more than eighteen months, the RFD has had no one actively involved in curriculum development outside of its existing programs. The RF Director indicated that she thought the FEPA trainings would be completed within a year. In hindsight, she now believes an additional person should have been found to handle this project."

The auditors' statements leap to some unsupported conclusions regarding the impact of the decision to conduct the FEPA trainings and they failed to include the facts surrounding curriculum development. If the auditors had requested information from RFD on new product development, they would have learned that six full courses were developed over the course of the last two years in conjunction with the FEPA trainings, as well as a course on Mediation, all of which have broader application to the private sector and state and local governments.

More importantly, the report does not explore or even anticipate that the benefits of developing and providing the FEPA training might have been carefully weighed and conscious decisions made about the trade-offs of providing training to this very important constituency nationwide. The state and local agencies are EEOC's partners, whose missions are intertwined with EEOC's own, and with whom EEOC has charge resolution contracts. It is true that exploration of the feasibility and development of webinars was postponed in order to devote staff resources to this training. The benefits far outweighed the negatives of postponing webinar development.

Indeed, with regard to training FEPAs, no project could be more closely tied to EEOC's overall mission. Not only did the FEPA training result in enhancing EEOC's credibility and relationships with its State and Local Government partners, it served to educate them in EEOC's own substantive interpretations of the laws we jointly enforce; it also helped to hone their investigative skills and techniques and provided a venue for the exchange of ideas between EEOC and FEPAs and among FEPAs who almost never have the opportunity of interacting with each other across their jurisdictional lines. Based on feedback from FEPA investigators, supervisors and managers who attended these courses, it is evident the training was very highly valued and appreciated by those who attended.

The following courses were developed for FEPA training:

1. A three day New Investigator course.
2. A two day advanced course on evidence analysis for investigators and supervisors.

3. A two day advanced course on defenses analysis for investigators and supervisors.
4. A one and one-half day course on interviewing skills and techniques for investigators.
5. A one day course on investigating religious discrimination in the workplace.
6. A one day course on investigating race and color discrimination.

Advanced Skills: Defenses and Evidence Analysis. During FY 2007 RFD delivered 10 separate Advanced Skills Evidence (two days) and Defenses (two days) training events at 9 different locations nationwide. This training reached 235 staff representing 18 FEPAs. This completed delivery of this program that began in FY 2006, reaching a total of 998 FEPA staff.

New Investigator Training. RFD provided training for new FEPA Investigators on Fundamentals of EEO and Investigative Interviewing. The main event was held in Dallas in October 2006, with a smaller followup class in Nashville in March. This four and one half day training was delivered to a total of 180 staff representing 55 FEPAs. In addition, EEOC sent 38 of its own new investigators to the training in Dallas.

Race, Color and Religious Discrimination. RFD also began its offerings of the two full days of training on Race, Color (one day) and Religious Discrimination (one day) in FY 2007, training 173 staff from 8 FEPAs, at various locations. A larger, centralized version of this training for the remaining FEPAS was completed during October 2007, training a more than 500 FEPA investigators, supervisors and managers from 66 FEPAs. Coupled with the sessions completed in FY 2007, more than 700 FEPA staff (73 agencies) received training on these topics.

The FEPA training received very positive ratings, both in the course evaluations as well as anecdotal feedback from attendees and the FEPA managers who nominated them for training. Following are the overall FEPA course ratings: 86% of participants gave the Advanced Skills training (these two 2-day modules were delivered consecutively) an overall rating of Very Effective or higher; 94% of participants gave an overall rating of Very Effective or higher for the New Investigator Training. The evaluations for the Race and Color and Religious modules show that 89% of the participants rated the courses Very Effective or higher.

### Curriculum Development

The IG findings state: "Ideas for new courses generally come from the public, and are developed by individuals outside the RFD. There are no written policies and procedures that address the development, review and approval process followed for new training courses. It's currently an informal process. There is an emphasis on developing a spending plan for any new proposed course. Generally, if it can't be shown to break even within a fiscal year, the new offering is not approved."

This conclusion clearly misses the mark, is unsupported and also a bit confusing. This may be due to the use of the term "course" when perhaps what is meant is "new product" offering. However, we will address the finding both ways and provide clarifying information.

RFD offers a number of different types of courses. For federal sign-up courses, new topics for courses typically are suggested by the Office of Federal Operations and are based on OFO's

knowledge of its customer base and its assessment of the EEO training needs of the federal workforce. Ideas may also come from their public (federal agencies) but typically do not come from the public at large. If new federal courses are added to the federal course product line, a modification of the spending plan would be done, but a new spending plan for a new course has never been required. The most recent course added to the Federal course product line is “Basic Mediation,” a course first offered during FY 2007, developed jointly by staff from the Office of Federal Operations and the Office of Field Programs. Portions of the content of this course can be used for other product line offerings including the OFO CST and field CST product lines.

For *courses* offered on-site as part of the field or OFO CST product lines, if a customer requests a topic we have not delivered before, the field office or OFO will develop or customize a course to meet the customer’s needs. For example, recently a state agency in California requested 75 one-day sessions on preventing discrimination for their managers. The Los Angeles office requested related training materials developed by RFD and OFO and customized a course for the customer. In addition, in 2006 and 2007, RFD staff have developed a 3-4 hour training course on “An overview of EEO” with a slideshow and instructor’s guide in response to a request for this training for a company with facilities across the country. The course has been delivered on-site by at least ten field offices.

For a new product line, the ideas do NOT usually come from the public at large. RFD may obtain information informally on possible new product offerings from its main customers (HR, EEO or attorney staff at private companies and state, local and federal agencies) through individual customer phone inquiries concerning the Fund’s current products and from conversations at events and other feedback. Another important source of possible new products is what our competitors are offering.

Currently, our training competitors are offering EEO and HR courses via webcast or webinar. The feedback we have received from our customers is that this is a product line which could meet their needs. RFD has done a fair amount of preliminary research on this product line but more in-depth research needs to be conducted, especially on defining the appropriate technology and the upfront funding needed to develop the technical aspects. At this point it has not been established whether or not EEOC’s current IMeeting software is a viable medium for our customers to receive the training. We will approach the development of new products carefully and with full information on all aspects of implementation including the development costs, possible technical difficulties, and probability of customer demand.

### Governance of the Fund

The Audit report states: The EEO training programs and needs of the federal and private sectors are different, but the revenues generated by both have been comparable from year to year.” While it has been generally true from 2004 to 2006 the revenues from federal sector and private sector programs are comparable, the staff resources spent by OFO and OFP (other than the RFD) are not comparable. The RFD Director provided the auditors with an analysis of the Federal v Private Sector revenue stream and the break-down of staff support devoted by OFO and OFP but this information was either overlooked or ignored.

Had the auditors asked RFD, or examined the cost accounting records for both FY06 and FY07, it would have become clear that the percentage of total hours reported by Field staff is approximately 60% higher than the number of hours reported by OFO staff. (OFO reported 16-19% of the RF hours devoted to Federal Sector and field offices reported 27-30% of the RF hours).

RFD acknowledges that the training needs of the federal workforce are different and over the years, very different product lines and pricing schedules have been developed for the federal customer base. For instance, Federal agencies tend to purchase training CSTs lasting at least a day whereas private companies almost always request training of two to three hours. RFD offers sign-up courses for federal agencies on EEO issues but does not offer them for private sector companies. Furthermore, all the courses developed for the federal sector sign-up course product line were identified by OFO and the course materials were developed by that office. Likewise, OFO is responsible for planning, developing and conducting its CSTs (on-site training) for federal agencies. When field offices receive request for training from federal agencies or when they wish to propose training events for federal employees, they are required to carefully coordinate these requests with OFO.

The EXCEL Conference is a product line that was originally developed in 1997 by the five field offices in the Northeast as a regional conference for federal employees. By 2004, the popularity of this conference had grown and when the conference was moved from Atlantic City to Las Vegas it became a national conference with attendee participation from the entire country. Since 2004, OFO has been an active participant in the planning of the conference and other important decisions concerning the conference.

RFD provides substantial support to OFO to support the federal courses and OFO CST product lines. It works closely with OFO staff and does most of the gathering of data on revenues and costs to prepare both projected and actual spending plans. RFD staff arrange for all of the duplication for federal sign-up course offerings and now many of the OFO CST training events. In addition RFD staff work closely with OFO staff to ensure the registration contractor has sufficient information to collect payment for OFO's federal courses and CSTs (on-site training).

The report states that "for the RF program to continue to adapt to the changing marketplace in which it operates, it must have the vision and leadership to be able to set strategic direction for the training and outreach efforts of the agency, recognize and effectively address the needs of its different stakeholders, successfully manage the financial and business environment in which it operates, and achieve and maintain self-sustainability. To do this the RF Director should be independent of its stakeholders so that differences in perspective can be balanced without undue influence by any single stakeholder. This independence would also encourage the successful creation of an EEOC Training Institute Steering Committee where RF stakeholders would have a platform to participate in the direction of the program with the RF Director being the appropriate decision maker in conjunction with the consensus and recommendations of the committee members."

As stated earlier, RFD believes it does have a vision and has provided leadership which has resulted in vibrant product lines that will continue to grow and to be successful. The report

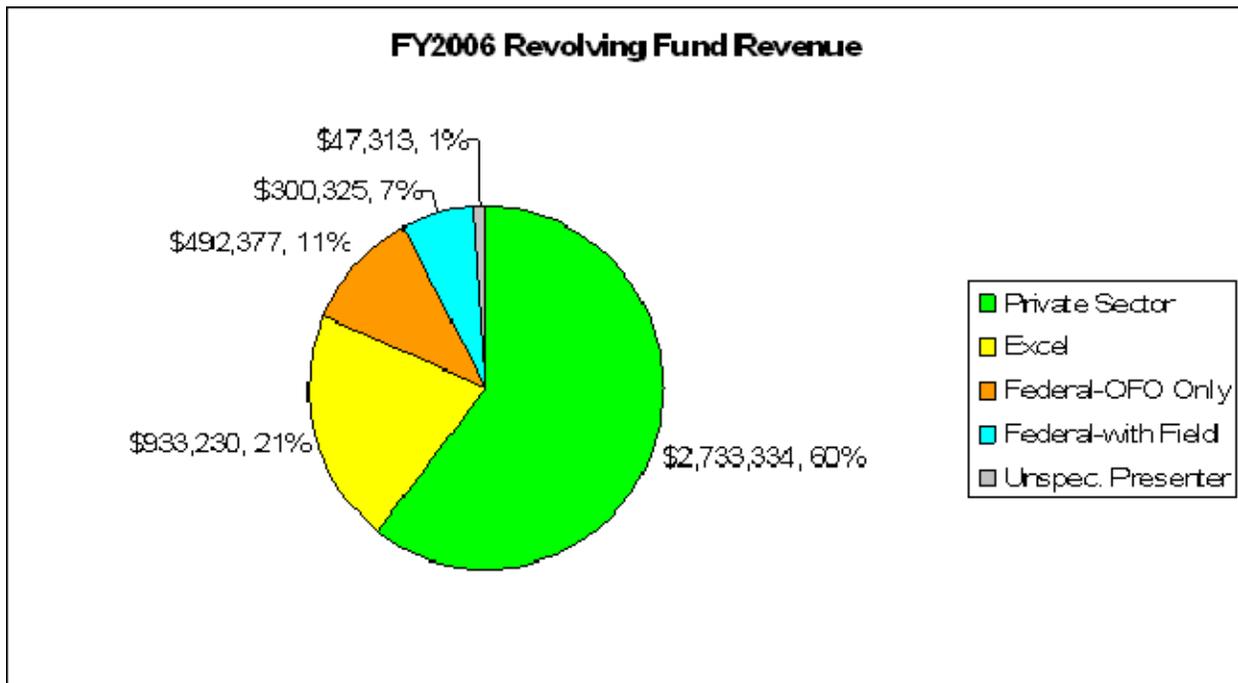
suggests but does not provide any specifics as to what actions or policies have negatively affected the current training programs offered for federal employees. The audit has not detailed any tangible concerns of OFO that have not been addressed. It has not suggested new or better criteria for RFD to use to evaluate the success of its programs.

RFD has managed its financial and business operations responsibly and successfully. This was also borne out by the recent Financial Statement audit. RFD management has brought the Fund to the point of full sustainability over the course of the last two years. The report does not detail how RFD is unduly influenced or negatively affected by its location in the Office of Field Programs. Nor does it detail how an independent RF program would be able to operate effectively.

There were compelling reasons for locating the Revolving Fund within OFP. Prior to the movement of the Revolving Fund to OFP, it was first lodged in the predecessor to the Office of the Chief Financial Officer, and then in the Office of Congressional and Legislative Affairs. Of particular concern is that the Audit team did not examine reasons the Fund moved from these offices, or present any recommendations from organizational or management perspectives as to how to overcome the obstacles that would need to be addressed and overcome in order for the Revolving Fund to become viable in another setting.

We believe this very important omission is a further indication that this recommendation is not supported by any real tangible evidence as to how it would operate more effectively in another part of the organization. It would be remiss to ignore the lessons of the past.

### FY 2006 Revolving Fund Revenue Sources



The preliminary data available for FY 2006 shows Revolving Fund collected a total of \$4,506,579\* for events that occurred in FY 2006. The revenue from Private Sector events is derived primarily from the field offices' TAPS (the largest income source) and onsite Customer Specific Training (CSTs), which reaches the largest number of attendees. Revenue from Federal Sector events (EXCEL, Federal courses and CSTs) is derived from a combination of efforts from OFO staff and OFP Field and Headquarters staff.

Of the total Revolving Fund revenue, OFO personnel conducted events generating \$ 492,377, which is 10.9% of the FY 2006 total.

Other Federal events were either sponsored and scheduled by OFO and delivered using OFP field staff or developed and delivered by field staff alone. These events generated \$300,325, representing 6.7% of the total revenue. Of these events \$255,442 (5.7%) were the combined efforts of OFP and OFO, and the remainder--\$44,883 (1%)—were on-site (CST) training events contracted and taught by OFP field staff.

The 2006 EXCEL conference generated \$933,230 in revenue, 20.7% of FY 2006 revenue.

At this time, there remains a small number of Federal CST events that do not yet have complete data entered into IMS; the names and offices of the presenters have not yet been recorded. These events total \$47,314, 1% of total revenue.

**\*This data does not include income received in FY 2006 from prior year events or upcoming FY 2007 events.**

#### **Office of the Chief Financial Officer:**

Impact of Revolving fund Legislation – Although there is brief discussion of the issues such as “uniform fee” and costs/fees, there are no clear conclusions and no recommendation addresses the issue.

Business Plan versus Spending Plan – The section briefly mentions spending plans, course attendance levels, and course evaluations as performance indicators, but the charter for the study called for a review of performance measures. There is no conclusion or associate recommendation.

Curriculum Development – There is a statement “RFD resembles a back office function to the training and outreach functions of OFP and OFO.” There is no discussion about what curriculum development should be and what conclusions can be made. The section just closes with what should have happened to support the FEPA training. The section needs work in the form of additional discussion, conclusion and associated recommendation.

#### **Finding 2**

#### **Revolving Fund Division, Office of Field Programs:**

RFD agrees that more procedures on the internal operation of the Division should be documented. Actual operation of the program has taken priority over documenting how the program operates. However, RFD has issued substantial guidance on the operation of the TAPS and CSTs for field offices and has prepared numerous guidance documents for the field Program Analyst Desk Book. RFD has already resumed this project--to identify tasks and draft the documentation for the critical operations of the Division, including the procedures followed by the Business Manager, and will seek to balance meeting program support and operational priorities with devoting greater attention to documenting procedures. RFD will work to address this matter as fully and promptly as possible.

We believe the auditors' conclusion," that there is no cross-training between staff," is inaccurate. Staff have done extensive briefings and hands-on training of their job duties with their backup person(s) to cover during absences. This is a Division where each staff person has well defined roles and duties. To maximize efficiency and keep overhead costs (staff salaries) manageable, there is purposely little overlap. Cross-training is provided for most RFD activities. It is not practical, nor is it necessary to crosstrain in all job functions. Some functions are not unique to RFD and just as in other parts of the agency; others outside the Division are called upon when needed. RFD management will continue to act responsibly and has arranged with the current business manager to provide training for the new incumbent once that person is onboard.

RFD does ensure that critical functions are/can be covered when staff are absent. Tasks critical to meeting program needs are addressed. One implication from the audit report is that because the RFD Director may choose to wait for a staff member to return from leave rather than assign the accumulated work elsewhere, that this means that another staff person could not perform that person's work. To the contrary, depending on the priority or time sensitive nature of the tasks and other management considerations, these decisions are made on a situational basis, balancing workloads as necessary. This is at the most basic level of responsibility for any manager--to set priorities and effectively manage staff assignments. It should be noted that not one instance of a program failure was cited by the audit.

The credibility of the audit's conclusions about this matter is particularly questionable in view of the example cited to support their position about the lack of cross training and the auditor's intractable position on this subject.

The facts are as follows:

The Director of RFD had intended for some time for at least one other staff member to be trained in use of the Remark software. This is the software used to scan completed evaluations for events and generate results electronically. While the absence of the software would not "make or break" a program, it does promote efficiency and avoids having to manually compile this data. She appointed Steven Aronberg to attend the next available training class in use of the software. On September 22, 2006, Mr. Aronberg attended the 8 hour course given by ReMark Office OMR in Malvern, Pennsylvania. The ReMark software system had been recently upgraded to version 6.0 and was now a significantly different product. So upon his return from the training, he then briefed the staff person who has primary responsibility for creating evaluation summaries on these changes and the new capabilities of the software to generate advanced analyses.

In following up on this matter after the exit conference, the RFD director asked Mr. Aronberg if any attempts to reach him were made following his initial interview with the auditors. Mr. Aronberg responded that they had not and that during his initial interview with the auditors he specifically mentioned his training on the software and his ability to do evaluation summaries, noting the fact that he had in fact done a substantial number of these for the FEPA training and other training events.

Prior to the exit conference the Revolving Fund Director also informed the auditors of Mr. Aronberg's training and capabilities in this area. To our knowledge no attempt was made to verify the accuracy of the statement made in the audit.

The summary of the audit report is not accurate and does not fairly represent the information supplied to the auditors by the RFD Director, even when it was fully corroborated. The fact that the RFD Director made a management decision that some of the evaluations could and should wait until a staff member returned to work to complete them is management's prerogative based on the priorities at the time. There were other more critical matters that needed to be addressed and these far outweighed scanning evaluations for events that had already been completed.

This misrepresentation in the auditors' report illustrates a bias toward relying on negative characterizations about RFD whether or not they are supported, even when other information more favorable to RFD was provided and corroborated.

**Office of the Chief Financial Officer:**

No comments.

**Finding 3**

**Revolving Fund Division, Office of Field Programs:**

For the most part, RFD does not disagree with the statement that, "A budget should be considered a financial plan for an event and should begin with the ultimate outcome in mind." However, based on the proportionate emphasis the audit placed on this matter, it is apparent that the purpose and utility of RFD's spending plans either was not clearly understood by the auditors or simply rejected out of hand, without further examining its full utility.

The spending plan is a multi-faceted management tool used by the Revolving Fund to project revenue and costs and to assist management decision making. Because the "ultimate outcome" cannot be projected precisely for events where the level of attendance cannot be determined until the event is held, it is impossible to develop a budget initially that is static. Because of the requirements of the Revolving Fund Act, break even budgets have some degree of fluidity in certain categories—those influenced by attendance levels. In the case of EXCEL as well as other product lines, the initial spending plan is used as a "what if" tool to see what effect different conditions and scenarios of revenue and costs will have on bottom-line break-even results. To attempt to mirror or reconcile against the general ledger, or operate as if this is to be the final

budget at this stage of planning, just because the auditors recommended it, does meet operational needs.

The exercise of gathering information on past revenues and attendance, developing spending plans to project future costs and revenues under different scenarios, and then pinpointing areas needing attention and working to reduce our costs all year long is a much more effective process than the one recommended by the audit. During the last three years greater emphasis has been placed on using the spending plans as a planning tool, as well as using them as an aid in educating those involved in planning and conducting events about the relationships and trade-offs that occur as certain variables are adjusted.

Therefore, using the initial document, or spending plan, RFD and the office(s) planning the event can analyze the effect different variables will have on the financial result. The format used by RFD permits the ability to examine issues like: What if we are able to reduce the number of presenters, or the number of presenter hours? What would be the effect of reducing the average per person cost of printing materials? Where do you achieve the greatest cost savings (e.g., place greater emphasis on increasing attendance or foregoing certain programmatic items, trimming expenses in selected categories without sacrificing program quality)? The gathering of information and the preparation of the proposed spending plans under variable conditions becomes a very meaningful tool for the EXCEL event planning team, and for planning TAPS events. We believe that the spending plan process needs to remain flexible, that it be used a management tool which is subject to adjustments as the planning cycle progresses.

The projected spending plan for EXCEL that was shared with the audit team, as is typical, had gone through several iterations and was not our first spending plan with projected costs and revenues. Planning begins more than a year in advance of an EXCEL event. The earlier plans projected attendance consistent with our revenues/attendance and cost structure used in 2006. These plans projected 900 attendees and showed a much higher coverage of costs than the plan that was given to the Audit Team. The final projected plan (which was shared with the Audit team) was based on reducing projected attendance from 900 to 800. This projected plan showed that we would have a substantial deficit if we did not substantially reduce our costs from what they were the previous year. Several areas were identified and were discussed with the EXCEL planning team which included representatives from OFO and the sponsoring field offices. To reduce marketing costs, we were able to identify several new sources to support our emailing campaign and thereby reduce the number of brochures mailed. These new email address sources were not available earlier and were identified due to creative research. We also very significantly reduced the hotel cost for meals and AV because the hotel was very flexible.

We disagree with that statement that the savings that we were able to achieve eventually should have been predicted accurately well in advance. The audit appears to place a high level of emphasis on the initial estimates of revenue and costs (often made up to a year before the event) and suggests that the measure of our management effectiveness should be whether RFD achieves the initial budgeted revenue and incurs the budgeted costs. This suggests that the initial projections of revenue and costs become “set in stone,” to be followed lock-step. The above examples of how we approached the planning for EXCEL illustrates how RFD continues to look for ways to balance costs with the quality of programs and how we employ these techniques

throughout the entire process, not just at the beginning of the planning cycle, as suggested by the audit recommendations. From RFD's point of view, if an event can be brought in "under cost projections" or attract a higher number of attendees (increased revenue) than initially projected, then this flexibility should be maximized, rather than such efforts being seen as a negative.

RFD acknowledges that we will need to continue to refine and improve our financial planning process for EXCEL. For 2008, we will be looking at the actual costs over a 3-5 year period, adjusted for the cost efficiencies and savings, to see if this would provide a more reasonable basis for projecting what our final costs will be. However, if new and more cost effective sources become available we will use them, regardless of the point in the planning process in which they become available.

With regard to differences in direct costs between the General Ledger accounts and the actual costs in the EXCEL spending plan, some of these differences are attributable to the fact that certain costs cannot be broken down by event and are found only in the aggregate in the accounting system. Our printing, mailing and postage costs are in a drawdown account with one contractor. One obligation is done against a general job number, but print, mailing and/or postage costs of each subsequent order against the account could be for different events or product lines. The shipping costs for EXCEL for example are embedded in the FED-EX account and RFD can only obtain these costs by having the designated individual from OCFO research individual FEDEX tracking numbers. RFD has utilized General Ledger EEC report 320 to compare to its spending plan final figures. The summary report summary shows collections, obligations and expenditures by Budget Year, Program and Job Number. That report as of September 30, 2007, shows a different figure for EXCEL obligations and expenditures than the figure cited by the audit report.

We do, however, agree that final revenue and costs should ultimately be reconciled to the general ledger, a process that has been regularly done with TAPS spending plans which are less complicated than the EXCEL spending plan. RFD will continue to try and obtain as much information as possible from the new financial system and mirror as much as possible the General Ledger in its final assessments of revenue and costs. We will be implementing a new procedure for our drawdown printing account. After we obligate the funds under one general job number, we will then notify the EEOC central accounting contractor, National Business Center, at the Department of Interior (NBC) of the job number associated with each subsequent expenditure. This new procedure, which has been discussed with the Chief Financial Officer, will result in RFD being able to obtain from the General Ledger total expenditures in the drawdown contract by event. However, for planning and program assessment purposes, rather than aggregate our spending plans to match the General Ledger, we find it far more effective and helpful to have data that permits us to examine each separate cost item, and its efficacy for an event. For example, we find it helpful to know not just printing costs overall for an event, but the cost of printing training materials, printing marketing brochures, printing CDs, mailing, design of product covers, all of which would be aggregated into one figure in the General Ledger.

With the implementation of the Momentum accounting system, possibilities may now exist for increased flexibility and more effective use of accounting data than existed under the former FFS (Flashpoint) accounting system. For example, general ledger and accounting data can now be

queried using starting and ending dates. This capability was not available under the Flashpoint system. RFD staff will become more technically proficient with Momentum and its capabilities as more experience is gained. This will result in improvements in RFD staff's data summary skills and RFD will use those improved skills to ensure more accurate reconciliation of costs recorded in the accounting system and general ledger to the costs shown in the spending plan.

The auditors commented about RFD's lack of access to financial data, noting that RFD "has been hampered by its inability to readily access the data" and that "RFD has begun working with the Office of the Chief Financial Officer and the Office of Information Resources Management to develop some additional reports."

RFD has been seeking to obtain more detailed reports that help to provide costs and revenue by product line, by aggregating events by job number, by office, etc. The need and lack of adequate reports was a matter cited in the auditors previous audit report issued in 2001. This dilemma still confronts RFD and those who do business under the Fund. The previous RFD Director was unsuccessful in her attempt to obtain reports, and the current RFD Director has made concerted efforts to move this forward, spread over the course of the last two years, including developing detailed requirements, documentation, participating in extensive detailed discussions, etc., to obtain reports but to date still nothing has been made available and no projected completion date is on the horizon.

Regarding the auditors' statement that "The information is, however, readily available in electronic format that can be summarized and used, but the RFD does not currently have the technical skills needed to effectively utilize data in this format," RFD has two main points that we believe should be addressed.

1. To the best of our knowledge the information is not "readily available" because "technical skills needed to effectively utilize data in this format" are required at such a sophisticated skill level that only highly trained technical experts can access the data. When systems require such highly technical expertise, it speaks volumes about the "user friendly" nature of such systems. This makes access to the data impractical for RFD. Even though several RFD staff possess reasonably up-to-date computer skills, the level of technical expertise is well beyond what would be expected of most staff.
2. It is true that RFD staff engage in painstaking compilation of data, because the agency's data systems have and continue to be built as "silos" and for the most part do not interface with each other. While the new Momentum system may ultimately prove itself more useful to RFD, we believe without customized reports it will still be necessary to piece together the information from all of the systems, and in some instances continue to maintain our own separate tracking systems in order to fully and responsibly account for costs and revenue associated with each product line or event.

**Office of the Chief Financial Officer:**

No comments.

---

## Footnote

<sup>1</sup> Stephen Lawrence and Frank Moyes, *Writing a Successful Business Plan*, The Regents of the University of Colorado, p 2.

<sup>2</sup> ANAO and Department of the Prime Minister and Cabinet, 2006, *Implementation of Programme and Policy Initiatives: Making Implementation Matter, Better Practice Guide*, Commonwealth of Australia, Canberra, p.13.