

COTTON & COMPANY LLP

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Inspector General
Equal Employment Opportunity Commission

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Cotton & Company LLP audited the Consolidated Balance Sheets of the Equal Employment Opportunity Commission (EEOC) as of September 30, 2004 and 2003; the related Consolidated Statements of Net Cost of Operations, Changes in Net Position, and Financing; and the Combined Statement of Budgetary Resources for the years then ended, and has issued our report thereon dated November 1, 2004. We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States of America, and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.

EEOC management is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of EEOC's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 01-02, including requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to EEOC.

The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations described in the preceding paragraph, exclusive of FFMIA, that we are required to report under *Government Auditing Standards* or OMB Bulletin 01-02.

Under FFMIA, we are required to report whether EEOC's financial management systems substantially comply with federal financial management system requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803 (a) requirements.

The results of our tests disclosed no instances in which EEOC's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Status of Prior-Year Noncompliance

In the 2003 report on compliance with laws and regulations, we noted that EEOC was not in substantial compliance with provisions of Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Standards*, as required under FFMIA.

EEOC resolved this noncompliance in Fiscal Year 2004.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of EEOC management, OMB, and Congress. It is not intended to be and should not be used by anyone other than these specified parties. This report is, however, a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP

A handwritten signature in blue ink, appearing to read "Colette Wilson". The signature is fluid and cursive, written over the printed name.

Colette Wilson, CPA

November 1, 2004
Alexandria, Virginia