

U.S. EQUAL EMPLOYMENT
OPPORTUNITY COMMISSION

WASHINGTON, D.C.

REPORT TO THE COMMISSION
AND INSPECTOR GENERAL

SEPTEMBER 30, 2018

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



Harper, Rains, Knight & Company

December 14, 2018

The Commission and Inspector General
U.S. Equal Employment Opportunity Commission
Washington, D.C.

We have audited the financial statements of the Equal Employment Opportunity Commission (EEOC) as of and for the year ended September 30, 2018, and have issued our report thereon dated November 15, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibilities in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 6, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of EEOC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Financial Statement Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by EEOC is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are those assumed in determining the Actuarial FECA Liability and Unfunded Payroll Liabilities. The CFO may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Management's estimate of Actuarial FECA Liability and Unfunded Payroll Liabilities is based on management's judgement. We evaluated the key factors and assumptions used to develop the Actuarial FECA Liability and Unfunded Payroll Liabilities and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting EEOC's financial statements relate to: Reconciliation of Net Cost of Operations to Budget.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The following schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Description	Debit (Credit)			
	Assets	Liabilities	Net Position	Net Cost
Unrecorded FY18 adjustment to correctly state unfunded annual leave	\$ -	\$ (232,704)		\$ 232,704
Current year income effect on net position			\$ 232,704	
Net effect	\$ -	\$ (232,704)	\$ 232,704	\$ 232,704
Totals	\$ 89,142,936	\$ (62,086,274)	\$ (27,056,662)	\$ 379,246,395
Percentage misstatement	0.00%	-0.37%	0.86%	-0.06%

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to EEOC's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 15, 2018.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing EEOC's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read

Other Information in Documents Containing Audited Financial Statements (continued)

the information and considering whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with EEOC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as EEOC's auditors.

Closing

This report is intended solely for the information and use of the Commission and Inspector General, and management of EEOC and is not intended to be, and should not be, used by anyone other than these specified parties.

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

December 14, 2018



U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
Washington, D.C. 20507

Office of the Chair

November 15, 2018

Harper, Rains, Knight & Company, P.A.
700 12th Street NW
Suite 700
Washington, DC 20005

Dear Harper, Rains, Knight & Company:

We are providing this representation letter in connection with your audits of the balance sheets of the Equal Employment Opportunity Commission (hereinafter referred to as EEOC) as of September 30, 2018 and 2017 and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, hereinafter referred to as the "financial statements".

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$3,840,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements. Such quantitative materiality considerations do not apply to representations that are not directly related to amounts included in the financial statements, required supplementary information (RSI) and other information.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 15, 2018, the following representation made to you during your audits.

Financial Statements, Supplementary Information, RSI, and Other Information

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 6, 2018, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB). The financial statements are fairly presented in accordance with U.S. GAAP.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.

- We have fulfilled our responsibility for the presentation of supplementary information in accordance with the applicable criteria and prescribed guidelines and:
 - The supplementary information is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - There are no changes in the methods of measurement or presentation of the supplementary information from the prior year.
 - There are no significant assumptions or interpretations underlying the measurement or presentation of the supplementary information that have not been disclosed to you.
- We have fulfilled our responsibilities for the measurement, preparation, and presentation of the RSI in accordance with prescribed guidelines established in U.S. GAAP.
 - The RSI is measured and presented in accordance with prescribed guidelines in U.S. GAAP and are consistent with the financial statements and contain no material misstatement of fact.
 - There are no changes in the methods of measurement or presentation of the RSI from the prior year that have not been disclosed to you including the reasons for such changes.
 - There are no significant assumptions or interpretations underlying the measurement or presentation of the RSI that have not been disclosed to you.
- We have fulfilled our responsibilities for the preparation and presentation of the Other Information (OI) included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the audited financial statements, and RSI.
 - The OI included in the document containing the audited financial statements and auditor's report is consistent with the financial statements and RSI and contains no material misstatement of fact.
 - There are no changes in the methods of measurement or presentation of the OI from the prior year.
 - There are no significant assumptions or interpretations underlying the measurement or presentation of the OI that have not been disclosed to you.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- We have provided you with all relevant information and access, as agreed upon in the terms of the audit engagement letter, including:
 - Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;

- Additional information that you have requested from us for the purpose of the audit, including, but not limited to:
 - Minutes of meetings, or summaries of actions of recent meetings for which minutes have been prepared, of the Commission;
 - Any communications from the Office of Management and Budget (OMB) concerning noncompliance with, or deficiencies in, financial reporting practices;
 - Unrestricted access to and full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and
 - All reports obtained from EEOC's service organizations.
- Except as disclosed to you in writing, there have been no:
 - Circumstances that have resulted in communications from EEOC's legal counsel reporting evidence of a material violation of law or breach of fiduciary duty, or similar violations by EEOC or any agent thereof.
 - Communications from regulatory/oversight agencies (such as OMB and GAO), other government entities or agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws or regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements, supplementary information, RSI, and OI.
 - We have a process to track the status of audit findings and recommendations.
 - All transactions have been recorded in the accounting records and are reflected in the financial statements.
 - The effects of uncorrected misstatements summarized below and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.

Description	Debit (Credit)			
	Assets	Liabilities	Net Position	Net Cost
Unrecorded FY18 adjustment to correctly state unfunded annual leave	\$ -	\$ (232,704)		\$ 232,704
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- EEOC has satisfactory title to all owned assets. There are no liens or encumbrances on these assets and no assets have been pledged.

- We have no plans or intentions that may materially affect the recognition, measurement, presentation, disclosure, or classification of assets and liabilities.
- We have disclosed to you the identities of EEOC's related parties and all the related party relationships and transactions of which we are aware.
- Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements in accordance with U.S. GAAP and do not prevent the financial statements from achieving fair presentation.
- Guarantees under which EEOC is contingently liable have been properly reported or disclosed.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in the financial statements in accordance with U.S. GAAP.
- All events or transactions subsequent to September 30, 2018 and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed in the financial statements.
- There are no changes in accounting principle affecting consistency of the financial statements between the periods presented.

Intragovernmental Activities

- All intragovernmental transactions and activities have been appropriately identified, recorded, and disclosed in the financial statements. There are no material unresolved differences in intragovernmental transactions and balances with Federal entity trading partners and appropriate adjustments have been made to address reconciling items.

Internal Control

- We acknowledge our responsibility for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We have fulfilled our responsibility for maintaining effective internal control over financial reporting. We have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- We have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
- There have been no changes to internal control over financial reporting subsequent to September 30, 2018, or other factors that might significantly affect the effectiveness of internal control over financial reporting.

Fraud

- We acknowledge our responsibility for the design, implementation, and maintenance of effective internal control to prevent and detect fraud.
- We have fulfilled our responsibility for the design, implementation, and maintenance of internal control to prevent or detect fraud.
- We have no knowledge of any fraud or suspected fraud affecting the entity and involves (1) management; (2) employees who have significant roles in internal control over financial reporting, or (3) others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any fraud or suspected fraud that resulted in a material misstatement to EEOC's financial statements, RSI, and OI.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the financial statements communicated by employees, former employees, or others.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any officer of EEOC, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

Compliance with Applicable Laws, Regulations, Contracts, and Grant Agreements

- We are responsible for complying with laws, regulations, contracts, and grant agreements applicable to EEOC, including treaties and other international agreements.
- We have identified and disclosed to you all provisions of laws, regulations, contracts, and grant agreements applicable to EEOC, noncompliance with which could have a material effect on the financial statements.
- There are no instances of noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements applicable to EEOC whose effects should be considered when preparing the financial statements.

- We are not aware of any violations of the Anti-Deficiency Act that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) for the year ended September 30, 2018, and through the date of this letter.

Budgetary and Restricted Funds

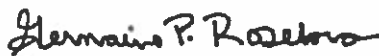
- The information presented in the EEOC's Statement of Budgetary Resources is reconcilable to the information submitted in its year-end Reports on Budget Execution and Budgetary Resources (SF-133s). This information will be used as input for the fiscal year 2018 actual column of the Program and Financing Schedules reported in the fiscal year 2018 *Budget of the US. Government*. Such information is supported by the related financial records and data.

Service Organizations

- Service organizations that we use have not reported to us, nor are we otherwise aware of, any (1) fraud; (2) noncompliance with applicable laws and regulations or (3) uncorrected misstatements affecting the financial statements that are attributable to such service organizations.
- Service organizations that we use have not reported to us, nor are we otherwise aware of, any changes in the design, implementation, or operating effectiveness of internal controls at the service organizations subsequent to the effective dates of the service and subservice organizations report(s) provided to you that could (1) affect the risks of material misstatement of the financial statements or (2) result in material misstatements of the financial statements arising from processing errors that would not be prevented, or detected and corrected, on a timely basis.



Victoria A. Lipnic, Acting Chair



Germaine P. Roseboro, Chief Financial Officer