



MANAGEMENT LETTER

EQUAL EMPLOYMENT
OPPORTUNITY COMMISSION

WASHINGTON, DC

SEPTEMBER 30, 2025

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December 30, 2025

Chief Financial Officer
Equal Employment Opportunity Commission
Washington, D.C.

In planning and performing our audit of the basic financial statements of the Equal Employment Opportunity Commission (EEOC) as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered EEOC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EEOC's internal control. Accordingly, we do not express an opinion on the effectiveness of EEOC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The following is a summary of internal control deficiencies for your attention that we determined did not constitute a significant deficiency or material weakness. Please see Appendix A for the full descriptions.

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Chief Financial Officer
Equal Employment Opportunity Commission (continued)

Revolving Fund Indirect Costs

It was determined that EEOC personnel are utilizing a workshop spending plan to price each event. The workshop spending plan is a template utilized to initially estimate revenue and costs for each class for pricing and compare to actual costs and revenues at the conclusion of the class. The workshop spending plan calculates the indirect cost assigned to the event as a percentage of event revenue and not an allocation of actual indirect costs. Current policies and procedures do not document how or why indirect costs utilize this methodology.

Payroll Personnel File Documentation

It was determined that Employee Express, software administered by EEOC's service provider Interior Business Center (IBC), failed to generate an updated form upon the employees' elections.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Harper, Raina, Knight & Company, P.A.
Washington, DC

Appendix A

Internal Control Deficiencies

I. Control Deficiencies

A. Internal Control Over Revolving Fund Indirect Costs

Condition:

The revolving fund calculation of overhead rate for indirect costs assigned to its events is not incorporating actual indirect costs utilized by the revolving fund and the methodology behind the current allocation of indirect costs to each event has not been documented.

Criteria:

EEOC Education, Technical Assistance, and Training Revolving Fund Act of 1992, Pub. L. 102-411, 106 Stat. 2101 (Oct. 14, 1992) established EEOC's revolving fund, stating:

"(2)(A) The Commission shall charge fees in accordance with the provisions of this paragraph to offset the costs of education, technical assistance, and training provided with monies in the Fund. 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."

Office of Management and Budget (OMB) Circular A-25 Revised defines User Charges for Special Benefits, stating:

"6(d)(1) User charges will be sufficient to recover the full cost to the Federal Government (including all direct and indirect costs) of providing a service, resource, or good."

6(d)(1)(b) Full cost includes all direct and indirect costs to any part of the Federal Government of providing a good, resource, or service. This includes, but is not limited to, an appropriate share of: salaries, medical insurance and retirement benefits, rents, utilities, travel, and management and supervisory costs."

Cause:

EEOC personnel are utilizing a workshop spending plan to price each event. The workshop spending plan is a template utilized to initially estimate revenue and costs for each class for pricing and compare to actual costs and revenues at the conclusion of the class. The workshop spending plan calculates the indirect cost assigned to the event as a percentage of event revenue and not an

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Internal Control Deficiencies

allocation of actual indirect costs. Current policies and procedures do not document how or why indirect costs utilize this methodology.

Effect:

Failure to utilize actual indirect costs attributable to the revolving fund allocated to each event could result in a costing process that is not compliant with federal guidance.

Recommendation:

We recommend EEOC create a policy that details the methodology used to determine the indirect costs percentage used for pricing of classes and ensure that it is utilized in the calculation of total costs within the workshop spending plan. This policy should determine a common variable, such as total number of revolving fund personnel hours available in a year allocated to each event, to determine the percentage of the annual estimate of projected reimbursement of compensation, benefits and overhead expenses for the current budget fiscal year provided by the Planning Budget and Analysis Division to allocate to each event.

Managements' Response

Thank you for your recommendation. We acknowledge that under prior leadership, past practices used to manage the Revolving Fund were not grounded in a methodology that included common variables to project costs and clear documentation was lacking.

Therefore, we recently developed a Business Plan that includes clear guidance, standard operating procedures and a methodology pertaining to pricing for the Revolving Fund program that directly addresses the recommendation herein. In addition, we developed a multi-year financial forecast that helps to provide a solid roadmap prospectively.

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B. Internal Control Over Payroll Personnel File Documentation

Condition:

We tested a sample of forty-six (46) payroll expense transactions. During our testing, we noted the following:

- For two (2) of the EEOC employees tested, the employee changed their Thrift Savings Plan (TSP) election, and no form was generated in Employee Express to show that change in the system.
- For one (1) of the EEOC employees tested, the employee changed their Health Benefits election, and no form was generated in Employee Express to show that change in the system.

Criteria:

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

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

"Agencies should have management controls to ensure personnel records can be located when necessary and are retained and disposed of as required by 'General Records Schedules 1'."

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

- Health Insurance
 - Standard Form 2809 – Health Benefits Registration Form
 - Standard Form 2810 – Notice of Change in Health Benefits
 - Transcript – OPM approved documentation of health benefits enrollments processed electronically (for example, through Employee Express)
- Life Insurance – All life insurance forms must be filed in the OPF.
- Thrift Savings Plan (TSP)
 - TSP1 – Thrift Savings Plan Election Form
 - Transcript – Transcript of thrift savings plan changes approved for use by the Federal Retirement Thrift Investment Board

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- Notification of Personnel Action
 - Standard Form 50 – Notification of Personnel Action

Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, September 2014¹, Principle 10 – Design Control activities, paragraph 10.03 states the following:

- *Appropriate documentation of transactions and internal control:* Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.
- *Controls over information processing:* A variety of control activities are used in information processing. Examples include edit checks of data entered; accounting for transactions in numerical sequences; comparing file totals with control accounts; and controlling access to data, files, and programs.
- *Accurate and timely recording of transactions:* Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Cause:

Employee Express, software administered by EEOC's service provider Interior Business Center (IBC), failed to generate an updated form upon the employees' elections.

Effect:

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

Improper official personnel records could adversely impact EEOC personnel during their tenure with the EEOC and upon separation of duty. Personnel may have valid complaints for inaccurate payments due to uncorrected deficiencies, and the EEOC is at risk for improper payments.

¹ <https://www.gao.gov/assets/gao-14-704g.pdf>

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Recommendation:

We recommend that EEOC:

- 1) Notify its service provider that its electronic Official Personnel Folders (eOPF) files are incomplete.
- 2) Request from its service provider an activity log of all changes requested each month by employees.
- 3) Implement policies and procedures to review at least a sample of employee changes each month to ensure changes in benefits are captured in the system and forms are generated to verify completeness and accuracy of information in eOPF.
- 4) Remind EEOC employees, at least semi-annually, to verify that the information in their file is complete and accurate. Provide employees guidance and examples on what specific documents should be reviewed and what elements to verify.

Managements' Response

The Equal Employment Opportunity Commission concurs with HRK's findings. To address the recommendations outlined in the report, the Office of the Chief Human Capital Officer, Payroll and Benefits Branch, will work with IBC to implement the recommendations stated in the report.