

MANAGEMENT LETTER

U.S. EQUAL EMPLOYMENT
OPPORTUNITY COMMISSION

WASHINGTON, D.C.

SEPTEMBER 30, 2020

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December 15, 2020

Chief Financial Officer
U.S. Equal Employment Opportunity Commission
Washington, DC

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, 2020, 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 probably 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.

Following is a summary of internal control deficiencies for your attention that we determined did not constitute a significant deficiency or material weakness, see Appendix A for the full descriptions:

Non-Payroll Operating Expenses

It was determined that two (2) of the Monthly Purchase Card Statement samples did not include a telephone number of the approver. This finding was caused by EEOC Approving Officials not following the controls in place and including all required documentation for approval. We recommended EEOC management create a control where management reviews, on a sample basis, at least quarterly, the approved Monthly Purchase Card Statements for conformity to EEOC Order 360.003. As of October 27, 2020, a memo was issued, by EEOC, revising the requirement outlined in Chapter 8 of EEOC Order 360.003. The requirement for the Approving Official to include their phone number is no longer required when using an electronic signature.

Property, Plant, & Equipment

It was determined that EEOC could not provide a copy of the SF-120 or other supporting disposal/retirement documentation for both selected samples. This finding was caused by EEOC Approving Officials, Central Service Division (CSD) Backup, or Property managers not following the controls in place and filling out the necessary forms. EEOC management should create a control where management reviews, on a sample basis, at least quarterly, the approved PP&E disposals/retirements for conformity to EEOC SOP for OIT Excess Property.

Undelivered Orders

It was determined that EEOC's balance in undelivered orders (UDOs) as of September 30, 2020, as calculated by EEOC personnel, included amounts that should have been de-obligated and not included in the year-end amount. This misstatement was caused by EEOC not consistently applying review procedures to the UDO balance. EEOC should ensure the existing UDO policy is followed and documentation of the process is reviewed by the CFO or their designee on a quarterly basis.

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.

Hoyner, Raino, Knight & Company, P.A.

I. Internal Control Deficiencies

A. Internal Control Over Non-Payroll Operating Expenses

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

- Sample #1 does not include a telephone number of the approver.
- Sample #3 does not include a telephone number of the approver.

Criteria:

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

Cause:

The Approving Official(s) did not follow the controls in place and include all required documentation for approval.

Effect:

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

Recommendation:

We recommend EEOC management create a control where management reviews, on a sample basis, at least quarterly, the approved Monthly Purchase Card Statements for conformity to EEOC Order 360.003 that states, "The cardholder must maintain a file of monthly credit card reconciled statements, which indicates approval by the Approving Official including: printed name, signature, telephone number, and date". EEOC management should follow-up with Approving Official(s) who have been found to not adhere to requirements of the Commercial Purchase Card Program and require them to obtain additional training, to include certifying they have read the Approving Officials responsibilities, as it relates to the aforementioned control.

Managements' Response

Management concurs that the two samples did not include the approving officials telephone number in conformity to EEOC Order 360.003. In this instance, the cardholders performed the reconciliation against the monthly card statement and the approving official indicated his/her

Appendix A

Internal Control Deficiencies (continued)

review via electronic signature but fail to modify the pdf. copy to include the telephone number. As a corrective action, management will reinforce the approving official roles and responsibilities and to make sure that all elements of the EEOC Order 360.003 are adhered to when performing their review.

A memo was issued October 27, 2020, revising the requirement outlined in Chapter 8 of EEOC Order 360.003, which will be incorporated into the Commercial Purchase Charge Card Program Practical User Guide at the next revision. Effective immediately, the requirement for the Approving Official to include their phone number is no longer required when using an electronic signature.

Appendix A

Internal Control Deficiencies (continued)

I. Internal Control Deficiencies (continued)

B. Internal Control Over Property, Plant, & Equipment

Condition: We tested a sample of two (2) PP&E disposals/retirements. During our testing, we noted the following:

- For both PP&E disposal/retirement samples, EEOC could not provide a copy of the SF 120 or other supporting disposal/retirement documentation.

Criteria:

EEOC Central Services Division (CSD) and The Office of Information Technology (OIT) Standard Operating Procedures (SOP) for OIT Excess Property, dated August 2018, states that when equipment is disposed of, an SF 120, SF 122, or SF 120 copy using GSAXcess, is approved by the EEOC Approving Official, CSD Backup or Property manager, evidenced by their signature and date.

Cause:

The Approving Official(s), CSD Backup or Property managers did not follow the controls in place and fill out the necessary forms.

Effect:

Failure to appropriately fill out and sign off on the disposal documents could result in a misuse of property, plant, & equipment and a misappropriation of assets.

Recommendation:

We recommend EEOC management create a control where management reviews, on a sample basis, at least quarterly, the approved PP&E disposals/retirements for conformity to EEOC SOP for OIT Excess Property that states, “When equipment is disposed of, an SF 120, SF 122, or SF 120 copy using GSAXcess, is approved by the EEOC Approving Official, CSD Backup or Property manager, evidenced by their signature and date.” EEOC management should follow-up with Approving Official(s), CSD Backup or Property management who have been found to not adhere to requirements of the SOPs for OIT Excess Property and require them to obtain additional training, to include certifying they have read the Approving Officials responsibilities, as it relates to the aforementioned control.

Appendix A

Internal Control Deficiencies (continued)

Managements' Response

Management concurs that approval to retire the two field office assets from the Oracle Federal Financial System (OFF) was not properly documented. In this instance, the assets were correctly retired from OFF, as they were not in use or in storage by the field office, however the process was not properly documented. Please note that information technology (IT) assets are now being inventoried and maintained within EEOC's ServiceNow system, via an automated network discovery process; therefore, prior guidance was issued to remove/retire IT assets from the OFF system.

As a corrective action, the Office of the Chief Financial Officer, Office of Information Technology, and Office of Field Programs will coordinate to conduct a full review of all IT related assets that are still reflected within OFF to confirm whether the IT asset is physically in use or in storage within each office and whether continued inventorying within OFF is appropriate. This "clean-up" process, which will be documented by the appropriate Approving Official, will retire assets that no longer exist, or assets that are now inventoried within ServiceNow, from the OFF System. Due to the current COVID pandemic and related office closures, this manual inventory will not be conducted until Phase II of EEOC's Reopening Plan.

I. Internal Control Deficiencies (continued)

C. Internal Control Over Undelivered Orders

Condition: We tested a sample of 29 Undelivered Orders (UDO) and noted the following exceptions:

- Purchase order EEC45016F0017 was listed as an undelivered order and had been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2020. The balance of this exception is \$2,052.50.
- Purchase order 45ITCIO11820P2724 was listed as an undelivered order and had been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2020. The balance of this exception is \$89.95.

The actual misstatement was \$2,142 and the projected misstatement is \$28,277.

This NFR is recurring from the prior year NFR that found UDOs were not appropriately de-obligated.

Criteria:

EEOC Financial Policy and Procedures #7 – Accounts Payable Review Process states:

"EEOC's Certification of Unliquidated Obligations for Annual and Revolving Fund Accounts (1311 Review) will be conducted on a quarterly basis. Use EEC 1311 Undelivered Orders Review for this certification in Oracle Federal Financials (OFF).

District Offices submit their certifications to the Office of Field Programs (OFF) Headquarters. HQ offices should forward a hard copy of the certification to OCFO/FSSD (Finance and Systems Services Division).

As part of the review, ensure the following steps have been taken on a quarterly basis: 1) Must review all undelivered orders for validity of amount and accuracy of classification. 2) Must cancel/de-obligate invalid undelivered orders. 3) Ensure all items have the proper documentation required to support an obligation, delivery status, and payment.

Conducting these reviews: Make the necessary adjustments and reporting the results assist EEOC with determining the accurate status of appropriation account balances. To comply with accounting standards, all Office Directors must certify and sign that obligation reviews have been completed and that balances are not over-stated or under-stated. o Because of the importance of the 1311 Review, each reviewer and certifying officer (Director) should make every effort to perform a complete review of the financial documents under the management control of the office. For every open item listed on the report they must be supported by a source document. The supporting documentation should be provided quickly upon request by FSSD or the external auditors. If there

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Appendix A

Internal Control Deficiencies (continued)

are no source documents to support the open item, the open balance for the item should be de-obligated."

Cause:

The internal controls in place over the review of outstanding UDO balance and de-obligating are not being consistently applied in a timely manner.

Effect:

Failure to review the balance could lead to an over- or under-statement of the UDO balance and ultimately a misstatement in the Statement of Budgetary Resources.

Recommendation:

We recommend EEOC ensures the existing policy in place is followed and documentation of the process is reviewed by the CFO or their designee on a quarterly basis.

Managements' Response

Purchase order EEC45016F0017 was a purchase order for training which was later determined that training was cancelled. No services were received. Procurement Request was created in October to de-obligate.

Purchase order 45ITCIO11820P2724 was purchase card transaction for supplies that were ordered and received but due to system issues, the reconciliation process between card charges and PO's was not timely completed.

Agency plans to continue to implement effective undelivered order monitoring controls at all levels of the organization.