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

Office of Inspector General

December 17, 2019

MEMORANDUM

TO: Janet Dhillon
Chair

FROM: Milton A. Mayo, Jr.
Inspector General

SUBJECT: Transmittal of Management Letter Report for FY 2019 Financial Statement Audit (OIG Report No. 2019-005-AOIG)

The Office of Inspector General contracted with the certified public accounting firm, Harper, Rains, Knight & Company, P.A., to perform the FY 2019 Financial Statement Audit of the EEOC. Attached is the FY 2019 Management Letter Report. The Management Letter Report identifies internal control deficiencies over undelivered orders. Management's response, which address the finding and recommendation, is included in the report.

Audit Follow Up

The Office of Management and Budget issued Circular Number A-50, Audit Follow Up, to ensure that corrective action on audit findings and recommendations proceed as rapidly as possible. EEOC Order 192.002, Audit Follow up Program, implements Circular Number A-50 and requires that for resolved recommendations, a corrective action work plan should be submitted within 30 days of the final evaluation report date describing specific tasks and completion dates necessary to implement audit recommendations. Circular Number A-50 requires prompt resolution and corrective action on audit recommendations. Resolutions should be made within six months of final report issuance.

If you have any questions or require additional information please contact Ms. Nina Murphy, Assistant Inspector General for Audit, 202-663-4372, Nina.Murphy@eeoc.gov.

cc: Reuben Daniels, Jr.
Mona Papillon
Tabitha Jenkins
Grace Zhao
Brett Brenner
Bryan Burnett

Carlton Hadden
Chris Haffer
Nicholas Inzeo
Carol Miaskoff
Pierrette McIntire
Kevin Richardson

Attachment

Harper, Rains, Knight & Company

MANAGEMENT LETTER

U.S. EQUAL EMPLOYMENT
OPPORTUNITY COMMISSION

WASHINGTON, D.C.

SEPTEMBER 30, 2019

Presented by: Harper, Rains, Knight & Company, P.A.
700 12th St NW, Suite 700
Washington, DC 20005
202-558-5162
www.hrkcpa.com

Harper, Rains, Knight & Company

December 17, 2019

U.S. Equal Employment Opportunity Commission
Washington, D.C.

In connection with our audit of the financial statements of the U.S. Equal Employment Opportunity Commission (EEOC) as of and for the year ended September 30, 2019, we identified deficiencies in internal control (control deficiencies). We present, for your consideration, our comments and recommendations regarding internal controls and other matters. These comments and recommendations are intended to improve the internal control structure or to result in other operating efficiencies for EEOC. The factual accuracy of our comments has been reviewed with management so as to obtain their concurrence prior to the development of our recommendations for improvement. Matters commented upon represent findings during the audit and have not been reviewed subsequent to November 18, 2019.

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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Additional information about this control deficiency that we determined did not constitute a significant deficiency or material weakness is presented on the accompanying pages.

Certified Public Accountants · Consultants · hrkcpa.com

1052 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
p: 601-605-0722 · f: 601-605-0733

700 12th Street NW, Suite 700
Washington, DC 20005
p: 202-558-5162 · f: 601-605-0733

We would like to inform EEOC management that the identification of a deficiency in internal control involves auditor judgment as well as quantitative results; and one of the conditions or events identified in *AU-C 315 "Understanding the Entity and Its Control Environment and Assessing the Risks of Material Misstatement"* that may indicate the existence of risks of material misstatement is "weaknesses in internal control, especially those not addressed by management."

Although the EEOC financial management structure has many positive attributes, a management letter is critical by nature because its purpose is to identify areas where improvements can be made. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex Federal governmental accounting environment.

Finally, we would like to acknowledge the courtesy and assistance extended to us by EEOC personnel during the course of our audit.

This report is intended solely for the information and use of the management of the U.S. Equal Employment Opportunity Commission and is not intended to be and should not be used by anyone other than the specified party.

Sincerely,

Harper, Rains, Knight & Company, P.A.

December 17, 2019

I. Control Deficiencies

A. Internal Control over Undelivered Orders

Condition: We tested a sample of 26 Undelivered Orders and noted the following exceptions:

- Two (2) purchase orders listed as an undelivered order have been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2019. The balance of these exceptions is $6,029.
- One (1) purchase order listed as an undelivered order could not be completely substantiated with audit evidence. The balance of this exception is $29,804.

The actual misstatement was $35,833 and the projected misstatement is $1,236,950.

Criteria:

EEOC Financial Management Guidance 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 (OFP) Headquarters. HQ offices should forward a hard copy of the certification to OCFO/FSSD (Finance and Systems Services Division).

As part of the review, please 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.

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

Cause:

The internal controls in place over the recording and maintaining of complete and accurate records of the UDO balance are not being consistently applied.

Effect:

Failure to properly maintain supporting documentation of an undelivered order and 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

1. **The CFO concurs with the following finding, totaling $35,833.**
   - Two (2) purchase orders listed as an undelivered order have been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2019. The balance of these exceptions is $6,029.
   - One (1) purchase order listed as an undelivered order could not be completely substantiated with audit evidence. The balance of this exception is $29,804.

2. **EEOC's Plan or Actions:**
   - Because the auditor's projected misstatement is dependent on the auditor's judgement and assumptions and it is not actual finding amount, the EEOC agrees to adjustment on the actual finding amount $35,833, not the auditor's projected amount.
   - EEOC will ensure the existing policy in place is followed and documentation of the process is reviewed by the CFO or their designee on a quarterly basis.

Auditor's Response:

FY 2020 audit procedures will determine whether the corrective actions have been implemented and are operating effectively.