FY 2007

U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Performance and Accountability Report

UNITED STATES EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Fiscal Year 2007 Performance and Accountability Report

OUR VISION

A strong and prosperous nation secured through a fair and inclusive workplace.

OUR MISSION

We promote equality of opportunity in the workplace and enforce federal laws prohibiting employment discrimination.

TABLE OF CONTENTS

A MESSAGE FROM THE CHAIR **1**

MANAGEMENT'S DISCUSSION AND ANALYSIS **3**
- Introduction 3
- The Year in Highlights 4
  - Enhanced Customer Service and Deployment of Human Capital 4
- The Strategic Plan 4

STRATEGIC PLAN OVERVIEW **5**
- Strategic Objective: Justice, Opportunity and Inclusive Workplaces 6
- Mediation 8
- Litigation 9
- Outreach, Education and Technical Assistance 11
- New Initiatives 12
- Federal Managers' Financial Integrity Act (FMFIA) 12
- Financial Highlights 13
- Consolidated Balance Sheets 13
- Consolidated Statements of Net Cost 13
- Consolidated Statements of Changes in Net Position 13
- Combined Statements of Budgetary Resources 13
- Use of Resources 14

PERFORMANCE RESULTS **17**
- Integration of Elements in the Strategic Plan 17
- Strategic Objective: Justice, Opportunity and Inclusive Workplaces 17
  - Performance Measure Highlights 18
  - Long-Term/Annual Measure 1 18
  - Efficiency Measure 19
  - Long-Term Measure 2 19
  - Review of Litigation Results 23
  - Review of Content of EEOC Litigation Docket 24
  - Collaborative FEPA Measure Contributing to EEOC Goals 26
  - Other Performance Initiatives 26
  - Agency Infrastructure and the President's Management Agenda 32
- Addendum: Interim Adjustments to the Strategic Plan 34
- Program Evaluation 35
  - Completion of a Program Evaluation on the Private Sector Charge Process 36
  - Schedule of Future Program Evaluations 37
- Verification and Validation of Data 38

INSPECTOR GENERAL'S STATEMENTS **39**
Summary of Significant Management Challenges 39
Agency Compliance with the Federal Managers' Financial Integrity Act 44

FINANCIAL STATEMENTS **46**
A Message from the Chief Financial Officer 46
Office of the Inspector General Agency Audit Transmittal Memorandum 48
Independent Auditor's Reports 51
Limitations of the Financial Statements 58
FY 2007 Consolidated Financial Statements 59
Notes to the Consolidated Financial Statements 63

APPENDIXES **83**
Appendix A: Organization and Jurisdiction 83
Appendix B: Biographies of the Commissioners and General Counsel 86
Appendix C: Glossary of Acronyms 90
Appendix D: Internet Links 91
Appendix E: EEOC Field Offices 92

ACKNOWLEDGMENTS **93**

WE WELCOME YOUR COMMENTS **94**

An electronic copy of this report is available on the EEOC website at
www.eeoc.gov/abouteeoc/plan/par/2007/index.html

A MESSAGE FROM THE CHAIR

Naomi Churchill Earp assumed the role of Chair of the Equal Employment Opportunity Commission on August 31, 2006, after serving as Vice Chair of the Commission since April 28, 2003.

I am pleased to present the U.S. Equal Employment Opportunity Commission's (EEOC's) Performance and Accountability Report (PAR) for Fiscal Year 2007. This report contains the agency's assessment of its FY 2007 program and financial performance, as well as an updated Strategic Plan which was issued at the start of FY 2007, and now covers the 6-year period through FY 2012.

In FY 2007, we continued to focus on improving our delivery of services to the public and strengthening our systemic enforcement efforts. While trying to maintain sufficient staff levels our case inventory continued to rise to more than 9% above last year's levels. We continued to work with our state and local partners to educate young workers and disseminate best practices. We are continuing also to recognize and reward specific practices and activities that produce results and reflect an abiding commitment to access and inclusion in the workplace through the EEOC's Freedom to Compete Award.

This past year, the EEOC was presented with two significant management challenges affecting both our infrastructure as well as how we will continue to provide service to the public, over the next 10 years. The first of these was formalizing a lease for new Headquarters space away from the downtown D.C. metropolitan area, to a newly developing area northeast of the Capitol. Rising costs and a reduction in the Headquarters workforce dictated the need to find more affordable and less sizable housing. While much progress has been made working out the logistics for the move, including physical transfer of our Information Technology (IT) structure, the challenges of relocating to a new area by October 2008 will continue to test our resources throughout the next fiscal year.

The other significant challenge came later in the year in a split vote among the Commission and the express will of Congress to dismantle the National Contact Center (NCC), which had been responsible for answering more than 700,000 public inquiries this past year. As a result, the NCC will cease to be an outsourced, one-location, customer service center. The responsibilities formerly performed by the NCC will be reassigned to agency employees, and they and the calls they are assigned to answer will be dispersed throughout the nation to 15 different locations.

While this has been a year of significant challenge, I am gratified that we have received an unqualified opinion for the fourth consecutive year from independent auditors. I am confident that the financial information and the data measuring EEOC's performance contained in this report are complete and accurate.

We also worked together to manage our internal controls. Based on a review of agency-wide materials and the assurances of the agency's senior managers, the agency's management and financial controls environment under the Federal Managers' Financial Integrity Act (FMFIA) was sound in FY 2007, with the exception of a material weakness in information security controls that was identified in the previous fiscal year and findings of three financial non-conformances. One financial non-conformance has already been corrected and the remaining two non-conformances have corrective action plans in place to resolve the findings in FY 2008. In FY 2007, we resolved all issues that were responsible for the material weakness, and no new material weaknesses in our controls have been identified.

Additionally, the Strategic Plan that was issued at the start of FY 2007 was modified. These modifications improved our performance-measurement focus on key mission-related areas and helped us begin to address the improvement plan, which was developed as a result of OMB's review of the agency in FY 2006 using its Program Assessment Rating Tool (PART). We expect that resolving these areas will enable OMB to revise its overall PART rating in the near future.

As a steward of taxpayer dollars, the EEOC holds in high regard the right of every American taxpayer to expect maximum performance and maximum return from every dollar we spend toward enforcing our mission. As the enforcer of equal opportunity in employment for every member of America's workforce, present and prospective, EEOC embraces its charge as a matter of social justice and a national economic imperative.

Naomi C. Earp

Naomi C. Earp
Chair
U.S. Equal Employment Opportunity Commission

November 15, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The EEOC is the federal agency responsible for enforcing the Nation's laws prohibiting employment discrimination. As part of our mission, we receive, review, investigate, and process charges of employment discrimination and file discrimination suits in the private sector. We provide administrative hearings and appellate decisions in the federal sector. Our guidance and information helps educate both employers and employees about their rights and responsibilities under the laws we enforce. A more detailed explanation of our structure and the laws we enforce can be found in Appendix A.

We view ourselves as guarantor of the American Dream, ensuring the opportunity to compete on the basis of merit in the workplace and protecting against the pernicious effects of unlawful discrimination. We strive to be proactive, educating workers and applicants, managers, and business owners, from teens to retirees, from small businesses to Fortune 500 corporations, in order to promote a productive, harmonious, and inclusive American workplace.

For over 42 years, the Equal Employment Opportunity Commission has protected the Nation's workers from unlawful employment discrimination. As the Nation's workplaces have become more diverse and complex, the discrimination we encounter has become more subtle, but is no less pernicious, leading the EEOC to develop new strategies to combat this old harm that manifests itself in new forms.

This FY *2007 Performance and Accountability Report* (PAR), prepared in accordance with the Reports Consolidation Act of 2000 and the Office of Management and Budget's (OMB) Circular A-136, Financial Reporting Requirements, presents the results of the agency's programs and financial performance, along with its management challenges. This section of the PAR summarizes our efforts in each of these areas. A more detailed discussion can be found in the following sections of the report:

- **Performance Results** highlight the progress made in meeting the Commission's performance measures, which are articulated in our modified Strategic Plan for FYs 2007 through 2012.
- **The Inspector General's Statements** present key management challenges identified by the Inspector General and the agency's progress and plans to address them, as well as a statement of compliance with the Federal Managers' Financial Integrity Act (FMFIA).
- **The Consolidated Financial Statements** demonstrate our efforts to be good stewards over the funds the agency receives to carry out its mission. Included in this section is an independent auditor's opinion on the agency's financial statements.

This report also satisfies the agency's obligation to provide Congress annual reports of our significant accomplishments achieved during the fiscal year. This report is available on our website at www.eeoc.gov/abouteeoc/plan/par/2007/index.html.

The Year in Highlights

Enhanced Customer Service and Deployment of Human Capital

All of our activities during the past fiscal year were in furtherance of our mission of promoting equality of opportunity in the workplace while providing high quality, professional customer service to the public. In order to enhance our customer service, FY 2007 marked the first full year of operation of two newly-opened offices in Mobile, Alabama, and Las Vegas, Nevada. The operation of these offices expands the EEOC's presence in areas experiencing a high level of job and population growth. Additionally, the agency has been focused on the steps needed to transition the National Contact Center—responsible for receiving calls and inquiries from the public—from an outside contractor to an in-house activity.

The EEOC Headquarters' office lease expires in July 2008. The existing building is no longer feasible for housing the current Headquarters' staff, and it was necessary to find other space. In May 2007, the General Services Administration (GSA) announced the signing of a 10-year lease for office space at 131 M St. NE, which is known as One NoMa Station. The projected move date is October 2008. Throughout FY 2007, preparation for the move has been underway. A number of committees staffed by employees have been working with the Office of the Chief Financial Officer (OCFO) to make the transition as smooth as possible. Additionally, the Office of Communications and Legislative Affairs started an internal web log or "blog" devoted to news of the move in order to ensure a free flow of information to staff.

The preparations for the move took place in tandem with other repositioning efforts begun several years ago. The EEOC is also planning for the future restructuring of our Headquarters operations. The physical move of Headquarters and Washington Field Office staff, combined with the organizational restructuring that has already taken place in the field and which is being studied for Headquarters, all emphasize ways to allow the EEOC to use its human capital where it is most needed. These efforts will permit the EEOC to retain its role as the preeminent civil rights agency well into the 21st century.

The Strategic Plan

The current Strategic Plan, issued at the beginning of the fiscal year after extensive internal review under the Government Performance and Results Act of 1993, covers the 6-year period from FY 2007 through FY 2012. Also, for the first time, OMB assessed the EEOC in FY 2006 using its Program Assessment Rating Tool (PART), reviewing the agency's planning and performance measurement approach. As a result of its review, OMB rated the agency as *Results Not Demonstrated*, primarily because the agency's approach in its former Strategic Plan was insufficient to measure performance.

These simultaneous reviews had a significant impact on the structure of our current Strategic Plan and the agency's performance measures. A new measurement structure and approach was developed during our FY 2006 PART review that will enable us to enhance our program and the services we deliver to the public. The improvement plan developed with the PART focuses on three broad areas: 1) identifying and implementing challenging annual targets and final outcome goals for all agency performance measures; 2) developing methods for measuring the performance of the collaboration of EEOC and state and local partners; and 3) continuing to implement structural changes and other recommendations to improve efficiency and effectiveness of the program.

During FY 2007, we began to address all three elements in our PART improvement plan. We engaged in an extensive agency review of the performance measures initially included in the agency's PART evaluation and modified our Strategic Plan. The Strategic Plan we issued at the beginning of FY 2007 addressed the first element of the improvement plan. The review during FY 2007 resulted in a modified Strategic Plan and the performance measurement structure displayed on this page. (See the *Addendum* on page 34 at the end of the Performance Section for a description of specific modifications made to the Strategic Plan.) We are continuing to review specific targets and a final goal for a few remaining performance measures. Current data collection efforts will enable us to identify these targets and performance goals in early FY 2008.

STRATEGIC PLAN OVERVIEW

Strategic Objective:
Justice, Opportunity and Inclusive Workplaces

Long Term/Annual Performance Measure 1

Percent increase in the number of individuals benefiting from improvements to organizations' policies, practices and procedures because of the EEOC's enforcement programs

Efficiency Measure

Percent increase in the number of individuals benefiting from EEOC's enforcement programs for each agency FTE

Long Term Performance Measure 2

Percent of the public confident in EEOC's enforcement of federal equal employment laws

Annual Performance Measures

Annual Measure 2.1
Percent private sector charges resolved in 180 days

Annual Measure 2.2
Percent federal sector hearings resolved in 180 days

Annual Measure 2.3
Percent federal sector appeals resolved in 180 days

Annual Measure 2.4
Percent investigative files meeting quality criteria

Annual Measure 2.5
Percent parties confident in EEOC's mediation program

Annual Measure 2.6
Percent lawsuits successfully resolved

Annual Measure 2.7
Percent individuals aware of EEO rights and responsibilities

Collaborative FEPA Performance Measure
Contributing to EEOC Goals

Additionally, we met with our Fair Employment Practices agency (FEPA) partners in June 2007 and began a discussion about developing an approach that would identify one or more ways to appropriately measure their contributions toward the achievement of EEOC's strategic goal and its mission. We are continuing that dialogue, through a workgroup comprised of EEOC and FEPA representatives, working collaboratively to address this issue, so that we can fulfill the requirements of the second element of our PART improvement plan. On page 5, we revised the graphic initially used in our Strategic Plan to add a placeholder for the FEPA measure(s) once they are developed.

Strategic Objective: Justice, Opportunity and Inclusive Workplaces

The agency has 10 performance measures under its Strategic Objective. These measures are used to drive results and accountability throughout the agency. EEOC achieved or exceeded the targets for eight of these measures. Targets for two measures were not met this year. Also, the new performance structure includes measures that were entirely new for the agency: Long Term/Annual Measure 1 and our Efficiency Measure. These measures challenged the agency to develop new methodologies to collect data that did not already exist; making FY 2007 a year to build our capacity to address aspects of our new performance structure.

Our progress in meeting our 10 measures is summarized below and discussed in detail in the Performance Results section of this report.

EEOC FY 2007 Performance		
Measures	Targets Met	Targets Not Met
10	8	2

Our modified performance measurement structure identifies the results we achieved to benefit individuals in workplaces nationwide and to provide both timely and high quality service to our customers. Long Term/Annual Measure 1 was developed during OMB's PART review in FY 2006. During discussions with OMB during FY 2007, we modified and focused this measure on our private and federal sector enforcement programs. The measure is designed to demonstrate the results the agency achieves for all individuals affected by changes in workplaces resulting from our enforcement activities. During the past fiscal year, we collected the data for our enforcement programs and established a base line value. In early FY 2008, we will establish annual targets and a final goal. Since our new Efficiency Measure is directly linked to the data collected for Long Term/Annual Measure 1, we have established the base line and will identify the targets and a goal for this measure in FY 2008. We explain our efforts to develop both measures in more detail in the Performance Section.

Private Sector Enforcement Program: Providing quality services that are fair and prompt, for both employees and employers, in our administrative processing system is vital to our mission. In FY 2007, we received 82,792 private sector charges of discrimination, a 9% increase from FY 2006. We also received 3,449 charges through net transfers from state and local Fair Employment Practices Agencies (FEPAs).

We achieved 72,442 resolutions, with a merit factor resolution rate of 22.9%. (Merit factor resolutions include mediation and other settlements and cause findings, which, if not successfully conciliated, are considered for litigation.) In comparison, the merit factor resolution rate for FY 2006 was 22.2%. Through our administrative enforcement activities, we also secured more than $290.6 million in monetary benefits, which is significantly higher than the $229.8 million obtained in FY 2006. Overall, we secured both monetary and non-monetary benefits for more than 17,357 people through our charge processing. The combination of increased receipts and decreased resolutions compared with FY 2006 left us with a pending inventory of 54,970 charges at the end of the fiscal year, compared with the FY 2006 figure of 39,946.

Timeliness is a key measure of our success in processing private sector charges. Measure 2.1 tracks our progress in resolving charges in 180 days or fewer. In FY 2007, our target was to resolve 72% of the charges within this time frame. We did not meet this target. Rather, 55.6% of the charges were resolved in 180 days or fewer. Several factors contributed to this result, including the increase in our receipts from FY 2006 to FY 2007 combined with a decline in investigator staffing levels. This has resulted in a growing pending inventory that is correspondingly older. To keep the age of the inventory under control, both in this fiscal year and in future years, offices continue to focus on balancing the resolution of both older cases and newer charges.

Our other key measure for success in processing private sector charges assesses the quality of our charge files. Under Measure 2.4, we exceeded our FY 2007 target of 88% of investigative charge files meeting the standard of quality, with 93.5% meeting the quality standard.

Federal Sector Enforcement Program: In our federal sector enforcement role, the EEOC is responsible for providing hearings and appeals after the initial processing of the complaints by each individual federal agency. Unlike our responsibilities in the private sector, we do not process charges of discrimination for federal employees. In the federal sector, individuals file complaints with their own federal agencies and those agencies conduct a full and appropriate investigation of the claims raised in the complaints. Complainants can then request a hearing before an EEOC administrative judge. In FY 2007, we received 7,869 requests for hearings which is slightly more than the 7,802 received in FY 2006. Additionally, we resolved a total of 7,163 complaints and secured more than $39.8 million in relief for parties in these complaints. Our Strategic Plan for FY 2007 set a target for Measure 2.2 to resolve 50% of federal sector hearings in 180 days or fewer. We did not meet our goal, resolving 42.8% of hearings cases in 180 days or fewer.

The EEOC also adjudicates appeals of federal agency decisions on discrimination complaints and ensures agency compliance with decisions issued on those appeals. During FY 2007, the EEOC received 5,226 requests for appeals of final agency decisions in the federal sector. We made significant gains in processing our federal sector appellate inventory during FY 2007. Our goal for Measure 2.3 was to resolve 60% of appeals within 180 days or fewer. In FY 2007, we resolved 5,617 appeals, 60.7% of them within 180 days of their receipt. We were able to meet our goal because of effective management of the appellate inventory and technological innovations. For FY 2008, we are increasing our target to 62% to continue to address our appeals workload in an ambitious manner.

Mediation

The Commission has been successful in encouraging mediation in our private and federal sector programs. As an enforcement tool, mediation has proven beneficial in advancing the agency's mission by resolving employment disputes in a timely, efficient and effective manner.

Private Sector Mediation Program: The EEOC's mediation program has been very successful and has contributed to our ability, over the past few years, to manage our growing inventory and resolve charges in 180 days or fewer. In FY 2007, the EEOC's National Mediation Program secured 8,649 resolutions, which is 5% more than the 8,201 reported in FY 2006. We secured more than $124 million in monetary benefits for complainants from mediation resolutions, which far surpasses the $109 million in monetary benefits in FY 2006.

Measure 2.5 highlights an important aspect of our private sector mediation program: the confidence that employers and charging parties have in the program. Participant confidence in our program remains high, with our FY 2007 figures reflecting that 95.8% of all participants would return to EEOC's Mediation Program in the future. This exceeds our target for Measure 2.5 of maintaining a 90% satisfaction rate. We believe this high confidence level helps with our continuing efforts to convince parties to charges, particularly employer representatives, of the value of the mediation approach. In addition, we are increasing our target for FY 2008 to 91% as we strive to establish a higher level of 95% by FY 2012.

Although participants almost uniformly view our mediation program favorably, the percentage of employers agreeing to mediate is considerably less than the percentage of charging parties agreeing to mediate. As part of our efforts to increase the participation of employers in the mediation program, we have encouraged employers to enter into Universal Agreements to Mediate (UAMs). These agreements reflect the employer's commitment to utilizing the mediation process to resolve charges. Many employers entered into these agreements in FY 2007, resulting in 1,269 UAMs (154 National/Regional UAMS and 1,115 Local UAMs). This is a 15% increase from our FY 2006 level.

Federal Sector Mediation Program: Using Alternative Dispute Resolution (ADR) techniques to resolve workplace disputes throughout the federal government can have a powerful impact on agencies' EEO complaint inventories and, in turn, the Commission's hearings and appeals inventories. Resolving disputes as early as possible in the federal sector EEO process improves the work environment and reduces the number of formal complaints, allowing all agencies, including the EEOC, to redeploy resources otherwise devoted to these activities. In addition, a growing number of agencies have incorporated dispute prevention techniques into their ADR programs, further increasing productivity and reducing the overall number of employment disputes.

Data submitted by federal agencies at the close of FY 2006, the most recent data available, indicate that there were 38,824 instances of pre-complaint EEO counseling across the federal government. Of that number, the parties participated in ADR in 17,309 cases, or 44.6% of the time.

The Commission's efforts in promoting and expanding mediation/ADR at all stages of the federal EEO complaint process also appear to be having a positive effect on federal agencies' EEO complaint inventories, as the number of formal complaints filed in FY 2006 declined by 7.2% over the previous year. As more agencies expand their efforts to offer ADR during the informal process, we expect to see continued decreases in the number of formal complaints filed, which will reduce costs for complainants and all federal agencies, and enable agencies to focus resources on their primary missions.

EEOC continues to actively pursue a variety of ways to assist federal agencies in improving participation in alternative dispute resolution by identifying and sharing best practices, providing assistance in program development and improvements, providing training to federal employees and managers on the benefits of ADR, and maintaining a web page that serves as a clearinghouse for information related to federal sector ADR. We will continue to expand technical assistance efforts with agencies to encourage the development of effective ADR programs and promote ADR training among government managers and staff.

Litigation

The Commission's litigation program provides relief for victims of discrimination, many of whom have no other recourse, and also encourages employers to resolve cases in the EEOC's administrative process before litigation is contemplated. In FY 2007, EEOC field legal units filed 336 "merits" lawsuits and 26 subpoena enforcement and other actions. Legal staff resolved 364 "merits" lawsuits for a total monetary recovery of $54,797,888 ("merits" lawsuits include direct suits and interventions alleging violations of the substantive provisions of the statutes enforced by the Commission and suits to enforce administrative settlements). Of these resolutions, 296 contained Title VII claims, 41 contained Americans with Disabilities Act of 1990 (ADA) claims, 35 contained Age Discrimination in Employment Act of 1967 (ADEA) claims, and 14 contained Equal Pay Act of 1964 (EPA) claims. The number of total merits suits is less than the sum of suits based on each individual law as some suits are filed on multiple bases. We also resolved 22 subpoena enforcement and other actions during the fiscal year. In terms of dollars recovered in direct, indirect and intervention lawsuits by statute, EEOC recovered $38,822,708 in Title VII resolutions, $3,075,969 in ADEA resolutions, $2,437,971 in ADA resolutions, $215,000 in EPA resolutions and $10,246,239 in resolutions involving more than one statute. At the end of FY 2007, the number of cases on the EEOC's active docket that involve multiple aggrieved parties or challenges to discriminatory employment policies was 251 or 44% of our total year-end caseload. Refer to our website at www.eeoc.gov for a fuller depiction of litigation statistics and year-by-year data comparisons.

In accordance with our modified Strategic Plan, we have begun to look beyond the number of suits filed and amount of dollars recovered to capture data on the number of individuals who benefited through improvements to organizations' policies, practices and procedures made as a result of EEOC's enforcement programs, including litigation. When we secure resolutions that bring about positive changes in the workplace, these changes benefit the entire workplace, not just people receiving some form of direct relief, such as money or a job. During FY 2007, we began to develop methodologies for calculating and tracking the number of individuals who benefit from such workplace changes. Our litigation data have been combined with data collected from the agency's enforcement programs to establish our baseline value for Long Term/Annual Measure 1, and then we will gradually increase the number of individuals who benefit through a workplace impact each year. This measure will be driven largely by our systemic initiative, as cases of systemic discrimination result in wide-spread changes in the workplace that benefit large numbers of people.

As planned, the Office of General Counsel is staffing systemic cases using a national law firm model, drawing on the expertise of Commission attorneys in various district offices as needed. All systemic investigation and litigation now takes place in the field offices, and each district office has developed a plan to identify, investigate and litigate cases of systemic discrimination. The Commission's systemic initiative has shown some early results. As the following chart indicates, in four major indicia of systemic litigation, the FY 2007 results constituted a significant increase from the previous fiscal year.

	FY 2006	FY 2007
Commissioner charges signed	**11**	**24**
Suit filings with 20+ victims	**11**	**14**
Suit resolutions with 20+ victims	**7**	**20**
Suit resolutions with 100+ victims	**0**	**4**

The largest by far of the EEOC's systemic cases this fiscal year was our suit against pharmacy giant Walgreen Co. Prosecuted under the national law firm model, the suit alleged that Walgreen's discriminated against African-American retail management and pharmacy employees in promotion and assignment. After mediation, the parties agreed to a total of $20 million (plus attorneys' fees) in payments to an estimated 10,000 class members. The consent decree, which is subject to a fairness hearing early next year, also resolves another lawsuit, which had been filed on behalf of 14 Walgreen's employees, alleging similar claims. The decree establishes benchmarks, provides for independent oversight of implementation and compliance, and mandates the hiring of outside experts to improve Walgreen's employment practices. The impact of this decree is far-ranging, and will benefit large numbers of employees now and in the future.

In Chicago, the EEOC filed suit against Woodward Governor Co., charging that the global engine systems company discriminated against African-Americans, Hispanics, Asians and women with respect to pay, promotions and training. The EEOC's suit was the culmination of settlement efforts with the company, and a consent decree resolving the case was filed on the same day as the suit. Under the decree, $5 million in funds (plus attorneys' fees) are being shared by 352 class members, which include both minority and female employees who worked at two Illinois plants. In addition, the decree provides for extensive injunctive relief, as well as independent oversight of implementation and compliance.

The EEOC resolved several other smaller scale cases of systemic discrimination this year, including the following: EEOC v. Quietflex (S.D. Tex.) (78 Latino production workers shared $2.8 million to resolve claims that the air conditioning duct manufacturer denied them entry into positions in more lucrative departments based on national origin); EEOC v. Trans Bay Steel, Inc. (C.D. Cal.) (48 Thai welders shared $1 million to resolve national origin discrimination claims that the steel company contracted workers under H2B visas and then confiscated their passports, restricted their movements, forced them to work without pay at local restaurants under threat of arrest and confined some of them to cramped apartments without electricity or water); EEOC v. Jeff Wyler Eastgate, Inc. (S.D. Ohio) (39 women shared $2.3 million to resolve claims that the auto dealer refused to hire them into sales jobs based on sex); EEOC v. Flushing Meadow Geriatric Center, Inc. (E.D.N.Y.) (29 black and Caribbean employees shared $900,000 to resolve claims that the rehabilitation center subjected them to racial harassment and prohibited them from speaking Creole while permitting other non-English languages to be spoken).

Outreach, Education and Technical Assistance

Our Strategic Objective also incorporates the concept that preventing discrimination is an important part of our mission. We briefly describe below some of the key outreach initiatives we conducted in FY 2007 and elaborate on them in the Performance Section of this report.

We educate employers and other members of the public about systemic discrimination, including trends and issues that the agency has identified and cases the agency has handled. Field and Headquarters offices participated in 5,658 educational, training, and outreach events during FY 2007, reaching 278,803 persons. We recognize the educational and deterrent value of publicizing our court victories, particularly the cases resolving systemic discrimination, because of the ripple effect such decisions can have on promoting changes both across the impacted industry and in related industries. In addition, we issued 765 press releases on our enforcement activities to further raise public awareness and encourage compliance.

In FY 2007, we promoted voluntary compliance with the federal equal employment laws to prevent or reduce discriminatory barriers to employment opportunities, including the promotion of individual awareness and understanding of rights and responsibilities under those laws. In FY 2008, we will continue our outreach, education, and technical assistance programs to meet the needs of diverse audiences and will partner with the employer community and other stakeholders to foster strategies to recognize and prevent discrimination in the workplace.

In the federal sector, the EEOC developed the LEAD (Leadership for the Employment of Americans with Disabilities) Initiative to address the declining number of employees with targeted disabilities in the federal workforce. This national outreach and education campaign includes seminars, educational events and focus group sessions to explore the issue of declining employment for individuals with severe disabilities and identify concrete solutions to address the problem.

We educate students and young workers about their workplace rights and responsibilities, including specific discussions on sexual harassment and how to seek assistance to address or report incidents of harassment that occur in the workplace. Through our Youth@Work Initiative, we reach out to schools and educators to share training materials and, as resources allow, develop and present training to teenagers about their workplace rights and responsibilities and assist these young workers as they enter and navigate through the workplace. Furthermore, we provide training and information to businesses that employ young workers to encourage them to proactively address discrimination issues confronting young workers.

We also provide guidance and information on employer "best practices" reflecting the agency's strong interest in proactive prevention. This includes sharing the successes of the EEOC's annual Freedom to Compete Award recipients, who have made strides in creating inclusive workplaces.

The EEOC also provides outreach to small businesses, especially those who lack the resources to maintain full-time professional human resources staff, and to stakeholders in under served communities across the nation, including those with limited English proficiency, such as recently arrived immigrants. We remain prepared to respond to unanticipated issues that arise in the workplace due to current events, so that the EEOC stays on the forefront in informing both employees and employers alike of their rights and responsibilities in the ever-changing workplace environment.

New Initiatives

In an effort to identify and implement new strategies that will strengthen its enforcement of Title VII and advance the statutory right to a workplace free of race and color discrimination, EEOC unveiled the ***E-RACE (Eradicating Racism And Colorism in Employment)*** Initiative during its February 2007 Commission meeting. Through E-RACE, the EEOC will identify issues, criteria and barriers that contribute to race and color discrimination, explore strategies to improve the administrative processing and the litigation of race and color discrimination claims, and enhance public awareness of race and color discrimination in employment.

Federal Managers' Financial Integrity Act (FMFIA)

The EEOC's management controls and financial management systems were substantially sound during FY 2007, with the exception of one material weakness in information security controls that was identified in the previous fiscal year and findings of three financial non-conformances.

In FY 2006, an Office of Inspector General's audit found a significant deficiency in the agency's information security program under the Federal Information Security Management Act of 2002 (FISMA), primarily in areas regarding documentation and tracking processes. The Office of Management and Budget's guidance (Circular A-123) required the agency to simultaneously identify a FISMA significant deficiency as a FMFIA material weakness. In its FY 2006 Performance and Accountability Report, the agency identified the deficiencies identified in the information security program as a material weakness and implemented a corrective action plan. We are pleased to report that the agency addressed all issues raised in the audit in FY 2007, resolving the agency's one outstanding material weakness. No additional material weaknesses were identified during FY 2007.

In FY 2007, the agency corrected one of the three financial non-conformances identified. All financial non-conformances were first identified in FY 2007. The agency has implemented corrective action plans to resolve the remaining non-conformances in FY 2008.

Since the agency resolved its one material weakness and one of only three financial non-conformances identified in the fiscal year, taking the agency's controls environment as a whole, and based upon a review of comprehensive agency-wide materials, including audit reports, and the assurances of the agency's senior managers, we conclude that our systems of management and financial controls during FY 2007 were effective and that agency resources were used consistent with the agency's mission—in compliance with laws and regulations, and with minimal potential for waste, fraud, and mismanagement.

Financial Highlights

The Office of Management and Budget (OMB) Circular Number A-136 was used as guidance for the preparation of the accompanying financial statements. EEOC prepares four financial statements: the Consolidated Balance Sheets, Consolidated Statement of Net Cost, Consolidated Changes in Net Position, and the Combined Statement of Budgetary Resources. For FY 2007 the Consolidated Statement of Financing was moved to footnote 18 and renamed as Reconciliation of Net Cost of Operations to Budget per OMB Circular A-136. Outlined in the following section are the purpose of each statement, an explanation of any significant amounts, and an explanation of significant fluctuations between FY 2007 and FY 2006.

Consolidated Balance Sheets

The Consolidated Balance Sheets present amounts that are owned or managed by EEOC (assets); amounts owed (liabilities); and the net position of the agency divided between the cumulative results of operations and unexpended appropriations.

The FY 2007 cumulative result of operations shows a negative balance. This is due to amounts accumulated over the years by EEOC from financing sources less expenses and losses and an amount representing EEOC's liabilities for such things as accrued leave and actuarial liabilities not covered by available budgetary resources. EEOC's FY 2007 future funded annual leave balances and actuarial FECA liability totaled $26 million.

Consolidated Statements of Net Cost

The Consolidated Statements of Net Cost of Operations presents the gross cost incurred by major programs less any revenue earned. Overall, in FY 2007, EEOC's Net Cost of Operation decreased by $6 million or 2%. The allocation of costs for FY 2007 shows that Private Sector resources used for Enforcement decreased by $4 million while the Federal Sector Program decreased by $2 million over the past fiscal year.

Consolidated Statements of Changes in Net Position

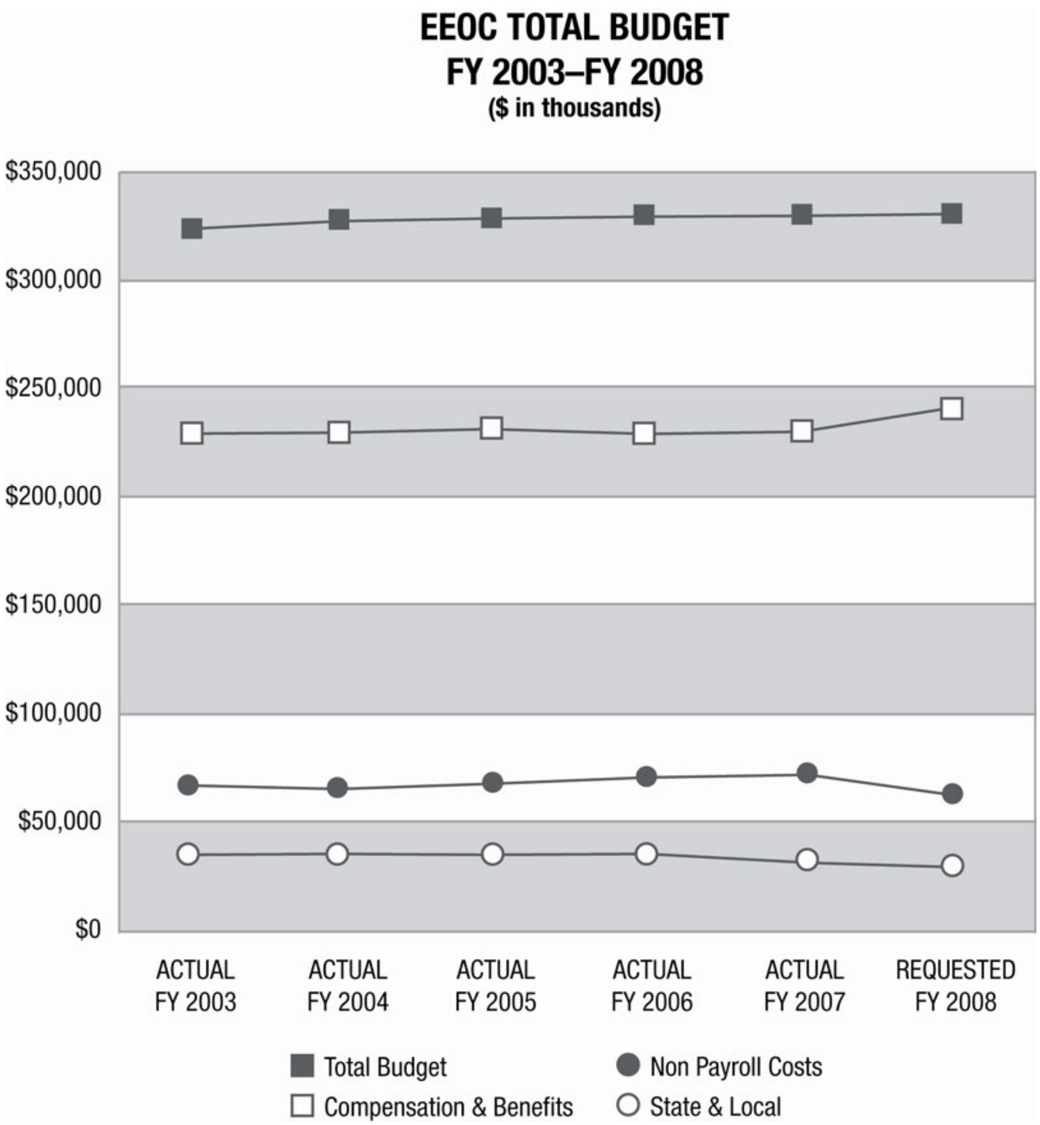
The Consolidated Statements of Changes in Net Position represent the change in the net position for FY 2007 and FY 2006 from the cost of operations, appropriations received and used, net of rescissions, and the financing of some costs by other government agencies. The Net Position improved over last year's with a favorable $13 million increase. EEOC's total asset exceeded total liabilities (funded and unfunded) by $16 million.

Combined Statements of Budgetary Resources

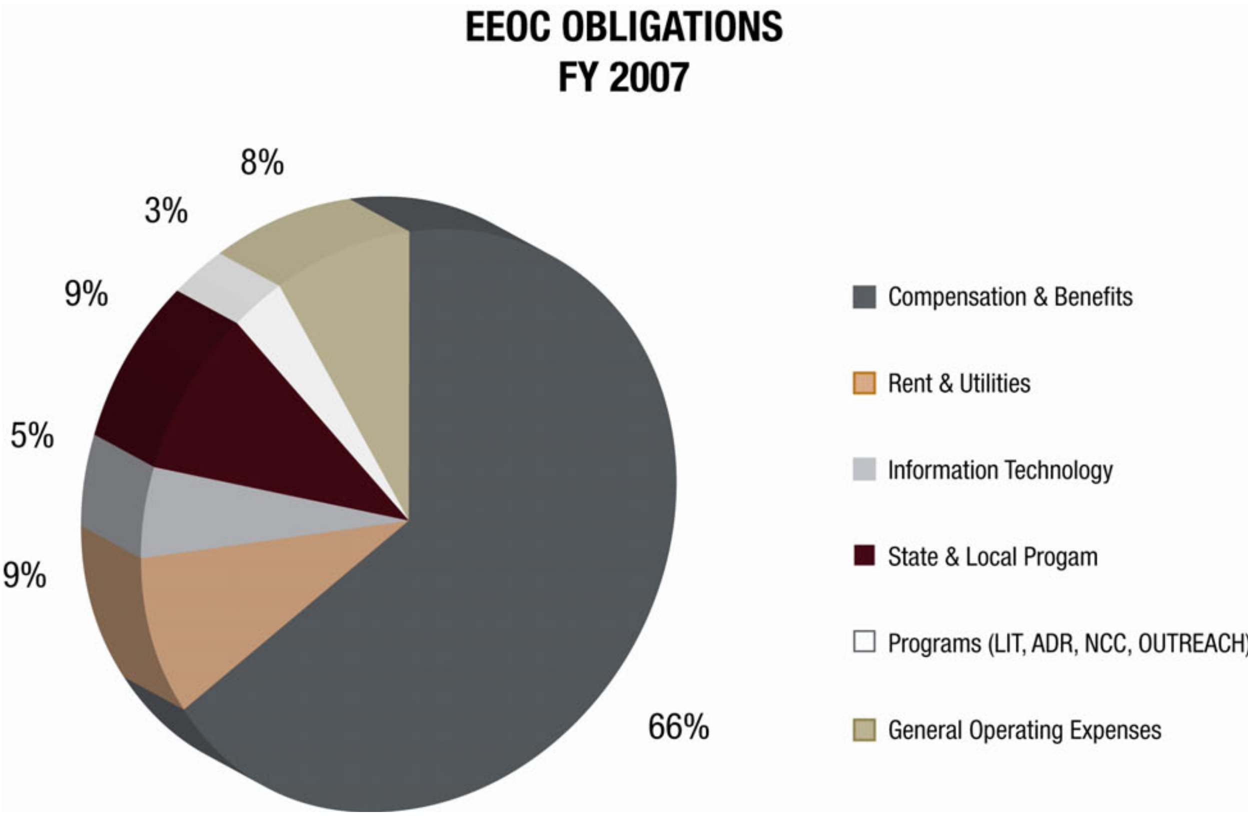
The Combined Statements of Budgetary Resources shows how budgetary resources were made available and the status of those resources at the end of the fiscal year. In FY 2007, EEOC received a $329 million appropriation, with no rescission. EEOC ended FY 2007 with an increase in total budgetary resources of $1 million over last year. Resources that remained unobligated at year end were $9 million and $8 million in FY 2007 and FY 2006, respectively. The unobligated balance not available represents expired budget authority from prior years that are no longer available for new obligations.

Use of Resources

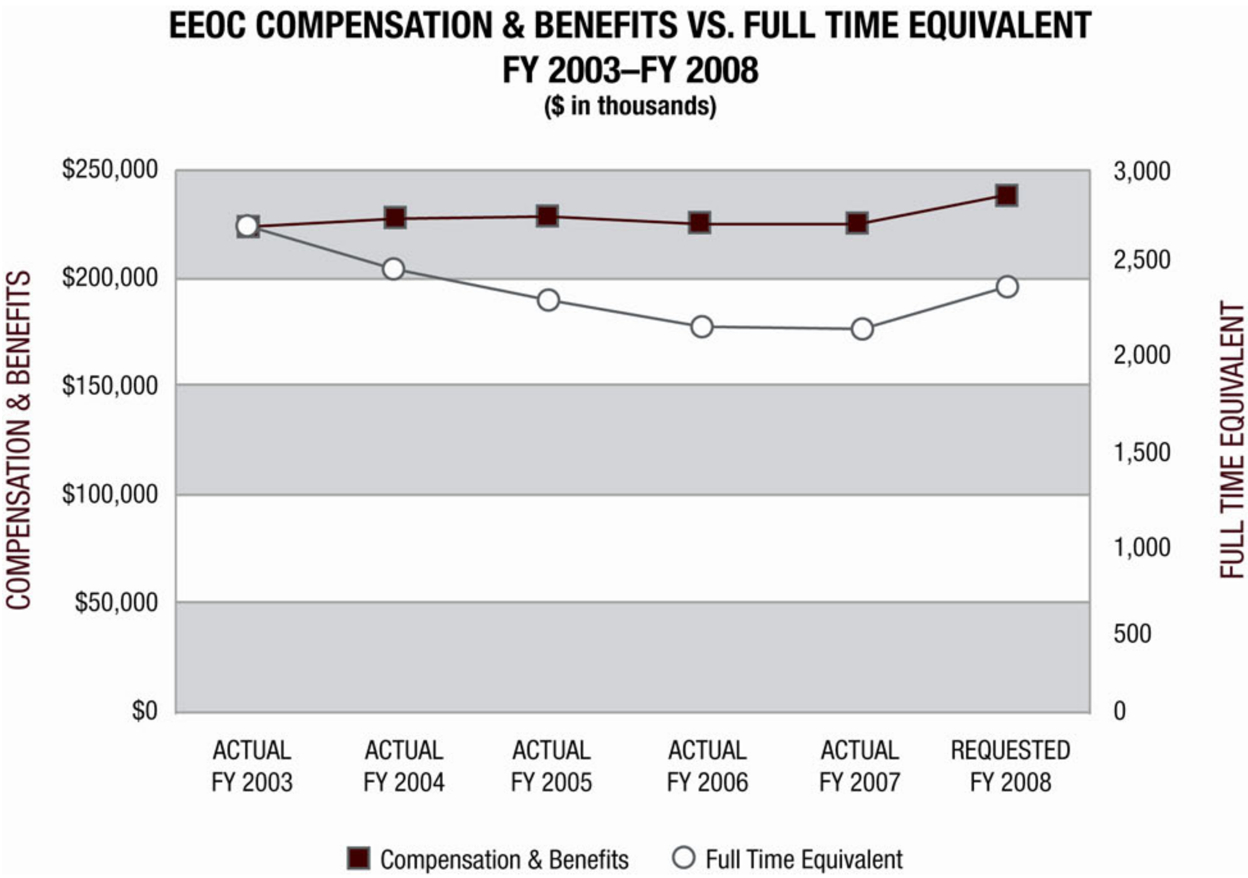
The **line chart** below displays a 6-year historical view of EEOC's use of resources. Compensation and benefits consumed the majority of the budget at 66%. The second and third greatest items were the payments to state and local FEPAs at 9%, and rent which also consumed 9% of the budget and is included in non-payroll costs.



The **pie chart** displays EEOC's FY 2007 use of resources by major object class. The major portions: Compensation & Benefits, State & Local, and Rent and Utilities. Resources used for Information Technology as well as general operating expenses were consumed at the rate of 13%. Other agency programs (Litigation, ADR contracts, Outreach and the National Contact Center) were consumed at the lowest rate of 3%. In comparison to last year, compensation and benefits decreased by 3% over last year's percentage of 69%.



The **dual axle** chart that depicts EEOC's compensation and benefits versus full-time equivalents (FTEs) over the past 6 years shows a decrease in both FY 2007 FTEs and compensation and benefits costs. Although, full-time equivalents in FY 2006 decreased in part by employees retiring or electing the early-outs option offered to employees eligible to retire, EEOC's Congressional Budget retains its FTE ceiling of 2,381 in FY 2007. EEOC ended FY 2007 with 2,158 employees on board. (The current average salary is approximately $102,041, an increase of $16,000 or 19% of the FY 2003 average salary).



PERFORMANCE RESULTS

Integration of Elements in the Strategic Plan

EEOC implemented its Strategic Plan for FYs 2007 through 2012 at the beginning of FY 2007. The plan describes our overall strategic framework for 6 years. As noted in the previous section of this report, the agency has since modified the Strategic Plan by revising several areas of the performance structure (see the performance discussion, below, and the Addendum at the end of this section). This section of the report summarizes the results achieved in FY 2007 for the 10 performance measures described in our modified Strategic Plan.

The framework for the modified Strategic Plan in effect for FY 2007 represents an improvement in our overall strategic planning and measurement approach because it is designed to be more results oriented, customer centered, and performance driven. The plan melds our strategic objectives, performance measures, and important program initiatives; all of which are integral to the accomplishment of our mission. The graphic presented on page 5 illustrates the integration of these elements, enabling us to achieve and evaluate our results for FY 2007.

Strategic Objective: Justice, Opportunity and Inclusive Workplaces

The EEOC is the Nation's primary enforcer of the civil rights employment laws, which prohibit discrimination on the basis of race, national origin, color, religion, sex, age, and disability. The agency was created in 1964 for the purposes of resolving charges of employment discrimination and securing relief for victims of discrimination. More than 40 years later, the public continues to rely on the Commission to carry out these fundamental responsibilities and bring justice and opportunity to the workplace. Our fight against discrimination goes beyond enforcing the law. The best way to combat workplace discrimination is to prevent it from happening in the first place. Educating employers and workers about their rights and responsibilities under the law is the first step toward promoting an inclusive workplace, where all workers are judged on their talents and abilities without regard to any protected characteristic.

EEOC's major programs and activities are investigating and resolving charges of discrimination; litigating complaints of discrimination; conducting hearings, resolving appeals of discrimination complaints and promoting equal employment opportunity in the federal workplace; and educating the public about its rights and responsibilities. All of these programs and activities are done in the service of four shared goals:

- remedying and deterring unlawful employment discrimination;
- increasing public confidence in the fair and prompt resolution of employment discrimination disputes;
- increasing voluntary compliance with the federal equal employment laws; and
- increasing individual awareness and understanding of rights and responsibilities.

Our performance structure will enable us to strive toward meeting the goals and measures we have adopted, which include our two long-term performance measures, seven annual performance measures, and one efficiency measure in our modified Strategic Plan for FYs 2007 through 2012.

As we noted earlier, in FY 2006 an internal review and the PART review conducted by OMB resulted in a new performance structure initially adopted in our Strategic Plan issued at the beginning of FY 2007. Since OMB assigned a PART rating of *Results Not Demonstrated* and the agency began to implement the PART improvement plan, the agency modified the performance structure of its Strategic Plan with the approval of the OMB (see the graphic representation on page 5 and the Addendum at the end of this section).

Performance Measure Highlights

Long-Term/Annual Measure 1

By FY 2012, the number of individuals benefiting from improvements to organizations' policies, practices and procedures because of EEOC's enforcement programs increases by TBD%.					
				FY 2007	
Target				Establish Baseline	
Result				Baseline Established	
■	Target met				

We believe it is important to measure our success by looking beyond the monetary and equitable relief we secure through our enforcement actions. This combined long-term/annual measure focuses on tracking the improvements that are made in the workplace as a direct result of our enforcement programs. We selected this measure because, when we secure changes in employment policies, practices and procedures through our enforcement programs, we have a positive impact not only on the immediate victims of discrimination, but also on all individuals in the affected workplace. Through organization-wide changes, individuals benefit from a more inclusive workplace and have greater opportunities to compete on a level playing field. With the agency's renewed emphasis on combating systemic discrimination, we expect to make significant increases over time in the number of individuals who benefit from our enforcement activities.

Long Term/Annual Measure 1 was developed to focus on all enforcement services we provide to the public that result in workplace benefits. These results include benefits obtained from administrative resolutions (including mediation), litigation resolutions, and federal sector hearings and appeals resolutions. Beginning in FY 2005, we began collecting data on the number of individuals benefited by private sector administrative resolutions (including mediations) only.

Based on the experience with collecting this private sector data, we adopted similar data collection approaches and collected the data for our litigation and federal sector programs. We established our baseline for this measure as approximately 1,626,000 individuals who benefited from improvements to their organizations' policies, practices and procedures as a result of all of our enforcement programs' efforts during FY 2007. During FY 2008, we will identify the targets and our final goal for FY 2012 for the percentage increase in the number of individuals benefited each year.

Efficiency Measure

By FY 2012, the number of individuals benefiting from improvements to organizations' policies, practices and procedures because of EEOC's enforcement programs for each agency FTE increases by TBD%.					
				FY 2007	
Target				Establish Baseline	
Result				Baseline Established	
■	Target met				

Enhancing the number of people who benefited for each EEOC FTE (Full-Time Equivalent) position demonstrates our efficiency, because approximately 70% of the agency's budget is dedicated to compensation and benefits. This entirely new area of measurement relies on data of the number of individuals benefited by our enforcement programs, which is collected for Long-Term/Annual Measure 1.

The number of individuals benefited in FY 2007 was approximately 1,626,000. As of the end of the fiscal year, our FTE was 2,158. Therefore, our baseline for this measure is 753.5 individuals benefited in FY 2007 per agency FTE. During FY 2008, we will also identify the yearly targets and final goal for FY 2012.

Long-Term Measure 2

By FY 2012, the public rates its confidence in EEOC's enforcement of federal equal employment laws at TBD% or higher.					
				FY 2007	
Target				Establish Baseline*	
Result				47.8%	
■	Target met				

If the public is aware of our enforcement activities and believes that we have handled discrimination complaints effectively, they will be more likely to rely on us to investigate, mediate, litigate, adjudicate a federal complaint, and otherwise resolve allegations of discrimination. Additionally, if the agency's reputation is one of a fair and responsible enforcer of the civil rights employment laws, then employers, attorneys and other members of the public will be more likely to defer to our assessment of discrimination complaints and commit to voluntary compliance through mediation, settlement, or conciliation.

To identify a baseline value for the public's confidence in the agency's enforcement of the federal equal employment laws, the agency engaged a reputable private organization to conduct a survey in FY 2007 of a representative sample of individuals nationwide. The survey results demonstrated that 47.8% of individuals responding have confidence in EEOC's ability to enforce federal equal employment laws. Using this baseline value, in FY 2008, the agency will establish annual target values and its final goal for FY 2012.

Annual Measure 2.1. At least TBD% of private sector charges are resolved in 180 days or fewer by FY 2012.					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	60.0%	65.0%	70.0%	70.0%	72.0%
Result	68.9%	67.1%	65.9%	60.7%	55.6%
	Target not met				

Annual Measure 2.2. At least 54% of federal sector hearings are resolved in 180 days or fewer by FY 2012.					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	20.0%	35.0%	38.0%	50.0%	50.0%
Result	30.5%	32.8%	51.3%	43.6%	42.8%
	Target not met				

Annual Measure 2.3. At least 70% of federal sector appeals are resolved in 180 days or fewer by FY 2012.					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	20.0%	45.0%	50.0%	55.0%	60.0%
Result	44.8%	51.8%	52.0%	59.7%	60.7%
	Target met				

Annual Measures 2.1, 2.2, and 2.3 focus on the resolution of private sector charges, federal sector hearings, and federal sector appeals. In recognition of the maxim that justice delayed is justice denied, these measures ensure the timely resolution of complaints in each of our major complaint handling activities. The goal of resolving private sector charges within 180 days is important to containing the overall average charge processing time. It also balances the need to devote the necessary time and attention to charges that present meritorious or complex claims and to remedy discrimination where it is found. The goals of resolving federal sector hearings and federal sector appeals within 180 days reflect our commitment to continue the timely handling of federal sector complaints.

For FY 2007, we did not meet the target for Annual Measure 2.1 and Annual Measure 2.2. For Annual Measure 2.1, we achieved a rate of 55.6% of our private sector resolutions being processed within 180 days, which falls below the target of 72%. Similarly, for Annual Measure 2.2, 42.8% of our federal sector resolutions were processed within 180 days, while the target was 50%. For Annual Measure 2.1, we are discussing with the Office of Management and Budget (OMB) the current results obtained for this measure and the targets/final goal expectations. Our discussion recognizes the need to set targets that are ambitious, but achievable. We anticipate establishing yearly targets and a final goal during FY 2008. For Annual Measure 2.2, although we did not achieve our FY 2007 target, we have retained this target level for FY 2008 as a commitment to an ambitious effort to process our hearings workload.

For Annual Measure 2.3, with our 60.7% result for FY 2007, we have met our 60% target of resolving federal sector appeals within 180 days or fewer. For FY 2008, we are increasing our target to 62% to continue to address forcefully the timeliness of our appeals workload.

Annual Measure 2.4. At least 93% of investigative files meet established criteria for quality by FY 2012.

		FY 2004	FY 2005	FY 2006	FY 2007
Target		Define quality criteria & develop information collection system.	Establish FY 2005 baseline & targets for FY 2006–2009.	87.0%	88%
Result		Defined criteria & developed collection system.	Established Baseline (88.5%) & targets.	88.1%	93.5%
◘	Target met				

Annual Measure 2.4 ensures that investigative files meet quality standards. A large proportion of sampled investigative files reviewed must meet two critical quality criteria: 1) the appropriate charge categorization supports the actions taken on the charge, and 2) the file documentation supports the resolution of the charge. This measure and the yearly targets are intended to ensure that we do not complete our work quickly at the expense of performing our work well. The result for this measure, 93.5% of the files meeting the quality standard, exceeds the 90% target for FY 2007. For FY 2008, we are maintaining this target level, but in the future, will increase the annual targets in order to achieve our goal of 93% for FY 2012.

Annual Measure 2.5. At least 95% of respondents and charging parties report confidence in EEOC's private sector mediation/ADR program by FY 2012.					
		FY 2004	FY 2005	FY 2006	FY 2007
Target		90%	90%	90%	90%
Result		95.6%	96.3%	96.8%	95.8%
▢	Target met				

Annual Measure 2.5 focuses on the EEOC's mediation/ADR program. We recognize that the public's confidence in our mediation program has a significant impact on its perception of the EEOC as a whole. We obtain results for this measure by surveying participants in EEOC's mediation program and tabulating responses about their confidence in using the program. This measure has been used by the agency since 2004, so we have significant trend data upon which to base our targets. The confidence level in this program is consistently high. It is critical to attain a high level of confidence in the program because it helps convince participants, particularly employer representatives, of the value of alternative dispute resolution. For FY 2007, 95.8% of those surveyed expressed confidence in our private sector ADR program; exceeding our 90% annual target. For FY 2008, we are increasing our target to 91% and will continue to increase it gradually to meet our final goal of 95% by FY 2012.

Annual Measure 2.6. At least 90% of EEOC lawsuits are successfully resolved during the period ending in FY 2012.					
		FY 2004	FY 2005	FY 2006	FY 2007
Target		90% or higher 6-year rolling average	90% or higher 6-year rolling average	90% or higher 6-year rolling average	90% or higher 3-year rolling average
Result		92.2%	92.8%	92.7%	91.5%
▢	Target met				

Annual Measure 2.6 places a premium on maintaining the high level of successful resolutions in our litigation program. Successful resolutions include cases decided by favorable court order and those concluded through a consent decree or a settlement agreement in litigation. Achieving success on this measure will ensure that we continue to exercise our prosecutorial discretion responsibly, while allowing us to take on challenging issues and litigate complex cases, including cases of systemic discrimination. As our systemic litigation program gets underway, this measure remains significant because the achievement of success in systemic cases is challenging and resource-intensive. We revised our methodology for this measure from a 6-year rolling average of successful resolutions to a more limited 3-year rolling average, while maintaining the same high target, to make the measure more ambitious. Our litigation success rate for this fiscal year alone is 89.5% and the 3-year rolling average success rate is 91.5%. We are maintaining this 90% target for subsequent years.

Review of Litigation Results

For several years, the EEOC has set a goal with Annual Measure 2.6 of maintaining at least a 90% success rate in lawsuit resolutions. Because the majority of lawsuits are resolved through settlement, this performance measure does not describe EEOC's results in cases adjudicated by a judge or jury. This fiscal year, we conducted a review of the cases adjudicated to final decision by a judge or jury over the past 5 years, from FY 2002 through FY 2006. We also reviewed the results for private plaintiffs represented by counsel in employment discrimination cases adjudicated by a judge or jury in the federal courts, using data made available by the Administrative Office of the U.S. Courts. Our review focused on the results for two separate types of outcomes, both at the district court level: 1) non-trial adjudications (*i.e.*, cases resolved by court orders such as summary judgment and dismissals) and 2) trial wins.

Our review showed that:

- Private plaintiffs who were represented by counsel lost 14.4% of all case resolutions through non-trial adjudications; the EEOC lost 5.6% of all case resolutions through non-trial adjudications.
- In cases decided at trial, private plaintiffs who were represented by counsel won 40.4% of all trials; the EEOC won 45.5% of all trials.

The table below illustrates the results of our review in more detail.

Comparison of Success Rates in U.S. District Courts, Federal Employment Discrimination Cases to EEOC Enforcement Suits		
	Federal employment discrimination cases w/ represented plaintiffs excluding U.S. as plaintiff (2001-2005)	EEOC enforcement suits (FY 2002-2006)
Non-trial adjudications lost by plaintiff as a percentage of all case resolutions	14.4% (11,106/77,322)	5.6% (77/1,379)
Trial wins for plaintiff as a percentage of all trials	40.4% (1,115/2,759)	45.5% (20/44)

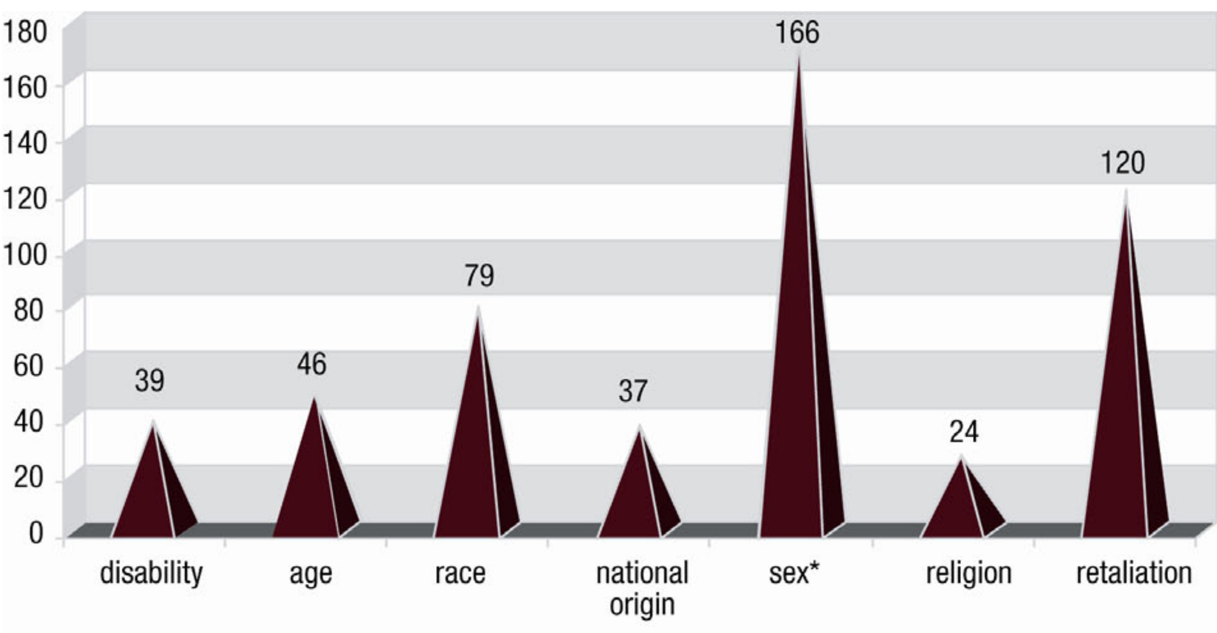
This review is intended to provide context for the data on EEOC litigation results. It is not intended to represent that the differences in results are statistically significant, and it attempts no judgment on the reasons for the different outcomes. In the Office of General Counsel's Annual Report, we will include a fuller description of these results and the methodology we used in this review.

In the future, we plan to perform a similar comparative review of data at the appellate court level, focusing on the reversal rate for plaintiff wins and the reversal rate for defendant wins. Our internal data shows that, in EEOC cases where there was a decisive outcome on appeal in the period from FY 2002 to FY 2006:

- An appellate court reversed or remanded EEOC wins in two out of nine cases.
- An appellate court reversed defendant wins in 15 out of 26 EEOC cases.

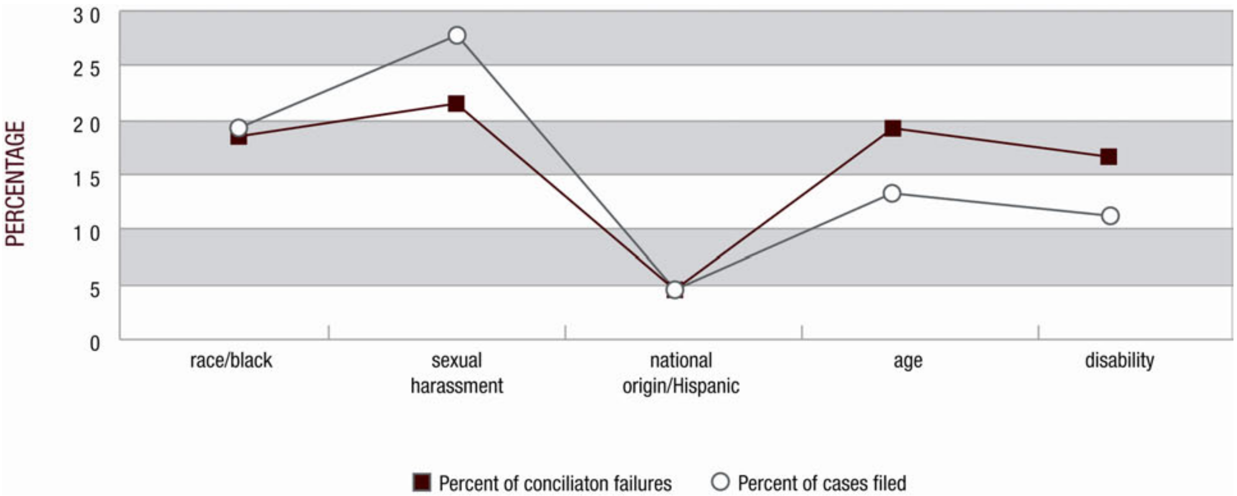
Review of Content of EEOC Litigation Docket

This year, we also reviewed the content of our litigation docket to determine whether our case filings were representative of the categories of claims we are charged with enforcing. Under Title VII, the ADA and the ADEA, the EEOC must make efforts to resolve violations through informal conciliation before filing suit. We seek to enforce the law actively with respect to each of the protected categories under the statutes under our charge to maintain a balanced litigation program. The figure below illustrates the number of cases filed in FY 2006 containing allegations with respect to each of the protected categories for which we have litigation authority. (Note that the total number of allegations represented in this chart exceeds the total number of cases filed because many cases contain multiple allegations. Refer to www.eeoc.gov for additional statistics on suit filings and resolutions.)



*Of these 166 sex discrimination suits, 102 suits alleged claims of sexual harassment.

Because of statutory prerequisites for our litigation, a further analysis is necessary to evaluate our case-selection decisions. Under Title VII, the ADA, and the ADEA, the EEOC must make efforts to resolve violations through informal conciliation before filing suit. For those statutes, only those cases in which conciliation efforts have failed comprise the pool of potential litigation vehicles for the Commission. We looked at the number of conciliation failures in some typical categories of our litigation to determine whether our suit filings were reflective of the pool of available cases. We focused on five representative types of cases subject to a conciliation requirement: race/black, sexual harassment, national origin/Hispanic, age and disability. We calculated the percentage of each type of case filed compared to the total number of suits filed and also calculated the percentage of conciliation failures under each of these case-types compared to all conciliation failures (using FY 2006 data). The following figure illustrates these comparisons:



This review reveals that our selection of race/black and national origin/Hispanic cases for litigation slightly exceeded the cases available to consider for litigation after conciliation efforts failed. That is, the percent of suits filed on national origin/Hispanic (4.6%) and race/black charges (19.1%) slightly exceeded the percent of conciliation failures for national origin/Hispanic and race/black charges (4.5% and 18.3%, respectively). Our selection of sexual harassment cases for litigation (27.8%) exceeded the percentage of these charges available for litigation (21.8%), but we noted that most of our sexual harassment cases achieve a high impact by seeking relief for multiple victims of discrimination. Our selection of age (13.5%) and disability (11.3%) cases for litigation was somewhat lower than the availability of these cases for litigation (19.4% and 16.6%, respectively). Overall, these results demonstrate that we are maintaining a docket that is reasonably representative of the categories of claims we are charged with enforcing. We intend to update this examination on a regular basis.

Annual Measure 2.7. At least TBD% of individuals demonstrate an awareness of their equal employment opportunity rights and responsibilities by FY 2012.					
				FY 2007	
Target				Establish Baseline	
Result				45.6%	
■	Target met				

Annual Measure 2.7 focuses on ensuring that individuals understand their EEO rights and responsibilities under the statutes enforced by the EEOC. We believe that individuals who know their rights and their responsibilities are more likely to properly identify discriminatory behaviors at the workplace and know what to do about them. In addition, we believe it is equally important for individuals, who are responsible for workplaces policies, practices, and procedures, to have the information they need to assess critically whether their workplaces are contributing to a discriminatory environment and what their responsibilities are for correcting discriminatory conduct.

As indicated for our Long Term Measure 2, the agency engaged a reputable private organization to conduct a survey in FY 2007 of a representative sample of individuals nationwide. The survey results demonstrated that 45.6% of individuals responding demonstrated an awareness of their equal employment opportunity rights and responsibilities. Using this baseline value, in FY 2008 the agency will establish annual target values and its final goal for FY 2012.

Collaborative FEPA Measure Contributing to EEOC Goals

Our PART review by OMB in FY 2006 concluded that the EEOC needed to measure the contribution its Fair Employment Practices Agency (FEPA) partners make toward achieving our Strategic Objective and our performance objectives. In June 2007, during our annual training conference with our FEPA partners, we began to share information and establish a dialogue to develop a method for assessing how the FEPAs' activities affect our ability to successfully achieve our goals. Since the conference, we have established a workgroup comprised of EEOC and FEPA staff to address the issue. The group's objective is to develop one or more measures using information collected from the FEPA community. The information will help us and the FEPAs improve our cooperative relationship and common interest in improving the enforcement of our respective employment discrimination laws. For FY 2007, the agency is not yet measuring this FEPA performance contribution. We will implement a measurement program during FY 2008 and begin to measure and report on the results achieved under our Strategic Plan in future years' *Performance and Accountability Reports*.

Other Performance Initiatives

In the Management's Discussion and Analysis Section of this report, we briefly described many other performance initiatives we initiated or continued in FY 2007. Each is described in more detail below.

Outreach: The Commission's outreach programs reached 278,803 persons. Field and Headquarters offices participated in 5,658 educational, training, and outreach events. This is an increase in the number of events over the same period in FY 2006, when there were 5,634 events.

Also, our offices distributed information materials on EEO laws and represented the Commission at 784 other public events that reached an additional 64,777 people. These events included information booths at job fairs, conventions, cultural expositions, and conferences. Informational materials were distributed through participation in many community organization meetings to another 43,377. We also made 682 media presentations, including radio and TV interviews, talk shows, and press conferences that provided substantive EEO information to millions of stakeholders.

Our outreach, education and technical assistance efforts focus on increasing voluntary compliance with federal equal employment laws and on improving the individual awareness of a person's rights and responsibilities. Annual Measure 2.7 affords us an opportunity to try to measure our contribution toward this endeavor.

Mediation Outreach: In FY 2007, EEOC offices conducted 335 outreach events directed toward the private-sector employer community to promote our mediation program. Events included workshops, mock mediations, and panel discussions with employer representatives as well as representatives from the plaintiff and defense bar.

Small Business Outreach: The Commission is working cooperatively and collaboratively with the small business community to proactively prevent employment discrimination and promote voluntary compliance. We recognize that many small businesses do not have separate human resources and legal staff to guide them through the regulatory process. Therefore, it is important to establish open lines of communication and provide the necessary training and tools to ensure that small employers comply with the law. EEOC district offices conducted 634 no-cost outreach events directed toward small businesses in FY 2007, including several events under the President's New Freedom Initiative (NFI). An additional 4,367 small business representatives attended EEOC Training Institute events. The topics of mediation, EEOC overview, sexual harassment, charge processing, Title VII, and the ADA were the most popular for small business audiences.

Federal Sector Outreach: In FY 2006, the Office of Federal Operations provided feedback on a single-year basis to all agencies or reporting subcomponents that had filed MD-715 reports during FY 2004 or FY 2005 for a total of over 200 letters. In FY 2007, we provided feedback in the form of an in-depth, comprehensive 3-year trend analysis to 20% of these agencies (approximately 42). Trend-analysis feedback will be provided to 20% of agencies filing MD-715 reports on a rotating basis, so that each agency receives a trend analysis letter at an interval of no longer than 5 years. The remaining 80% of agencies (approximately 160) will receive feedback each year in the form of single-year analysis. In FY 2007, a key strategy in our efforts to be more responsive to our federal sector customers was the continued development of our relationship management pilot. This initiative was first piloted in FY 2004, and was modeled after the private sector's approach to customer service. The pilot has evolved and expanded to bring Commission personnel together with EEO staff in 13 agencies, plus a working group of smaller agencies, in a partnership to help those agencies foster an inclusive work culture and successfully implement the essential elements of MD-715's model EEO program.

Education, Technical Assistance and Training:

- *The Revolving Fund:* Renamed the "EEOC Training Institute" in 2004, the Revolving Fund is a separate statutory authority that enables the EEOC to offer in-depth and specialized programs to supplement those general informational and outreach activities that are an ongoing aspect of the EEOC's mission. The Training Institute offers diverse, high quality, reasonably priced EEO expertise and training products to private sector employers, state and local government personnel, and employees of federal agencies. In FY 2007, the Training Institute trained over 22,000 individuals from the private sector, local, state, and federal government at more than 450 events. In FY 2007, the Training Institute offered five product/service lines, which we expect to continue to provide in the future.
- *Direct-Sale Training Products:* The Training Institute also develops low-cost direct-sale training products and resource materials to foster the agency's overall training and technical assistance statutory responsibilities. We will be expanding our product line during FY 2008 to include other training materials that address the changing needs of our customers, such as web casts and other web-based training.

- *Technical Assistance Program (TAP) Seminars:* The 1- and 2-day TAP Seminars offered by the Training Institute are responsive to employers' information and training needs and allow EEOC to educate substantially more employers and employees about how to identify, prevent and eliminate workplace discrimination. In FY 2007 44 TAPS were conducted throughout the country with 6,666 participants, representing a significant increase over the 5,460 people who participated in TAPS in FY 2006.
- *National Federal Sector Conference:* An annual national federal sector conference, the Examining Conflicts in Employment Laws (EXCEL) Conference, has become a widely anticipated and highly acclaimed event for federal EEO managers, attorneys, union officials, EEO professionals and EEO staff. The FY 2007 Conference, held in Denver, Colorado, last August marks the 10th anniversary of the popular event, attracting more than 800 attendees.
- *Customer Specific Training:* The Customer Specific Training Program trains employees, managers, supervisors and human resource professionals from large, mid-size and small employers about their EEO responsibilities and how to prevent and correct workplace discrimination. Standardized courses are available or we design customized courses that are delivered at employers' worksites.
- *National Training Courses:* The Training Institute currently offers national courses geared toward federal employees. In addition, beginning in FY 2006 we developed and offered 13 two-hour courses on harassment to employers in one state that had passed a law requiring the training. We expect to offer similar training in the future to other states that have similar laws. Courses for new mediators have been developed and piloted. The first of these courses are being offered during late 2007 and will continue to be offered in the future.

E-RACE (Eradicating Racism And Colorism from Employment): In an effort to identify and implement new strategies that will strengthen its enforcement of Title VII and advance the statutory right to a workplace free of race and color discrimination, EEOC unveiled the E-RACE Initiative during its February 2007 Commission meeting. Race discrimination is the most frequent type of charge filing with the EEOC, a historical trend dating to the agency's opening in 1965. In FY 2006, more than 27,000 charges of race discrimination were filed with EEOC offices nationwide, accounting for 36% of the agency's private sector caseload. The E-RACE Initiative is designed to improve EEOC's efforts to ensure workplaces are free of race and color discrimination. Specifically, the EEOC will identify issues, criteria and barriers that contribute to race and color discrimination, explore strategies to improve the administrative processing and the litigation of race and color discrimination claims, and enhance public awareness of race and color discrimination in employment. As part of the initial E-RACE activities, we trained all EEOC investigators on race and color discrimination, including the new

Race discrimination is the most frequent type of charge filing with the EEOC, a historical trend dating to the agency's opening in 1965. The E-RACE initiative is designed to improve EEOC's efforts to ensure that workplaces are free of race and color discrimination.

compliance manual section issued by the Commission in FY 2006. The manual section is designed to help employers prevent race and color discrimination; employees or job applicants evaluate whether they have a valid complaint and, if so, how to address it; and enforcement staff investigate a form of discrimination that is seldom overt. We have also developed national outreach materials for the initiative and our field offices have undertaken local outreach efforts which focus on the E-RACE Initiative. More information about the E-RACE Initiative is located on EEOC's website at http://www.eeoc.gov/initiatives/e-race/index.html.

Freedom to Compete Initiative: Launched in 2002, the EEOC's Freedom to Compete Initiative is a national outreach, education and partnership campaign designed to recognize and reward specific practices that produce results and reflect a commitment to access and inclusion in the workplace. The EEOC's Freedom to Compete Award, presented annually, honors excellence in the implementation of effective EEO practices that can be replicated by other employers or organizations.

We presented our Freedom to Compete Awards in September 2007 to a diverse group of companies, federal agencies, and associations:

- Abilities, Inc., Albertson, New York, a nonprofit agency, was recognized for its program called *Experience Counts*, which promotes employment opportunities for older workers by dispelling long-held myths about older workers. Several hundred mature workers have benefited from this program, many of whom were unemployed for more than 6 months prior to receiving services.
- The City of Norfolk, Virginia, was recognized for its *Pathways to Public Service* which exposes youth to various aspects of public service. The four-tiered program has prepared and inspired a significant number of Norfolk youth to become competitors in the emerging workforce of the future.
- Emory Crawford Long Hospital, Atlanta, Georgia, was recognized for *Project Search*, which is an employment program for individuals with developmental disabilities. The program has provided an opportunity for graduating high school students with developmental disabilities to transition to paid jobs that would not ordinarily be readily available to them.
- Internal Revenue Service, U.S. Department of the Treasury, Washington, D.C., was recognized for its practice called the *Lions World Program*, a partnership with Lions World Services for the Blind to provide special training and adaptive or assistive equipment and technologies for individuals with significant visual impairments. Hundreds of visually impaired employees have been hired through this program.
- The Johns Hopkins Health System, Baltimore, Maryland, was recognized for a composite of four programs that increase job opportunities for area youth with disabilities; more efficiently handle disputes among its employees, including EEO disputes; and improve upward mobility of its employees, both new hires and permanent staff. One of the programs, the *Hopkins EEOC Mediation Process,* salvages workplace relationships, allows employees to feel valued, and thus aids in employee retention. A large group of employees have benefited from these four programs.

Youth@Work: In FY 2007, the EEOC built on the success of its Youth@Work Initiative to educate young workers about their workplace rights and responsibilities. Over the past 3 years, EEOC offices nationwide have hosted or participated in more than 3,000 events to educate teenage employees and their employers about workplace discrimination and harassment. We have reached more than 190,000 high school students, parents, teachers, and employers—arming them with the information they need to create positive first work experiences for our young adults.

The Youth@Work website (**www.youth.eeoc.gov**) is dedicated to educating young workers about their equal employment opportunity rights and responsibilities. The website explains the different types of job discrimination that young workers may encounter and suggests strategies they can use to prevent and, if necessary, respond to such discrimination. The site includes an interactive tool called "Challenge Yourself!" that provides an opportunity for young workers to test their knowledge by analyzing sample job discrimination scenarios. The site, created with the assistance of EEOC student interns, also includes examples of recent cases involving workplace harassment of young workers. A Spanish-language version of the website debuted in June 2005 at www.youth.eeoc.gov/es.

In FY 2007, we produced, in partnership with the National Education Association, a 25 minute video to educate students on their rights and responsibilities in the workplace using fictional employment settings. The video will be distributed to high schools nationwide, accompanied by a teacher guide, at the beginning of FY 2008. Additionally, we conducted 1,225 events to educate teenage employees and their employers about workplace discrimination and harassment, reaching 67,149 high school students, parents, teachers, and employers. These events, which include information about the laws enforced by EEOC and the rights and responsibilities of employers and employees, are aimed at assisting young workers as they enter and navigate the professional world and encouraging employers to proactively address discrimination issues confronting young workers.

LEAD Initiative: LEAD (Leadership for the Employment of Americans with Disabilities) is the EEOC's initiative to address the declining number of employees with targeted disabilities in the federal workforce. The over-arching goal for this initiative is to significantly increase the population of individuals with disabilities employed by the federal government—currently less than 1%. This national outreach and education campaign is designed to

- Increase the awareness of federal hiring officials about the declining numbers of people with disabilities in federal employment
- Reverse the trend of decreasing participation in federal employment
- Educate federal hiring officials about how to use special hiring authorities to bring people with disabilities on board, particularly those with severe disabilities
- Educate applicants with severe disabilities about how to apply using the special hiring authorities available
- Provide information and resources on reasonable accommodation

In FY 2007, the LEAD web pages were updated. Resources related to recruitment, hiring, and accommodations, as well as links to several federal programs designed to assist individuals with disabilities in finding employment have been added. The website, available at **http://www.eeoc.gov/initiatives/lead/index.html**, also includes program tips agencies can adopt to increase the participation of individuals with disabilities in the federal workforce.

New Freedom Initiative: On February 1, 2001, President George W. Bush announced his New Freedom Initiative (NFI), a comprehensive strategy for the full integration of individuals with disabilities into all aspects of America's social and economic life. EEOC has played a critical role in furthering one of the NFI's primary goals—increased access to the workplace for individuals with disabilities.

Since 2002, EEOC has issued a number of technical assistance documents for employers and people with disabilities. Among these documents have been six that have addressed the ADA's application to particular types of disabilities—diabetes, epilepsy, cancer, intellectual disabilities, blindness and vision impairments, and deafness and hearing impairments. The Commission has also released three documents that discuss how the ADA applies to specific industries. In prior years, we issued a guide for restaurants and other food service establishments and a document on reasonable accommodations for attorneys with disabilities. In February 2007, EEOC released "Health Care Workers and the Americans with Disabilities Act." Like most of EEOC's technical assistance publications, the document uses a question-and-answer format and numerous examples to describe how the ADA applies to unique and challenging situations that arise with respect to workers with disabilities in America's fastest-growing industry.

Regulations, Enforcement Guidance, and Technical Assistance: EEOC regulations and enforcement guidance represent the Commission's official positions on a range of issues that arise under the employment discrimination laws. They aid EEOC investigators and attorneys, who enforce the laws through charge investigation and litigation, are looked to by many courts when resolving novel legal issues, and inform employers and individuals protected by the laws EEOC enforces of their legal rights and responsibilities. EEOC also publishes technical assistance documents, which promote awareness of, and voluntary compliance with, the EEO laws. They provide the public with explanations of the laws that are easy to understand and that avoid excessively technical or legalistic language. Technical assistance documents do not establish new EEOC policy. They apply existing policy in specific contexts to promote better understanding of EEOC policy.

During FY 2007, the EEOC revised a regulation and provided guidance in an important area. In *General Dynamics Land System, Inc. v. Cline*, 540 U.S. 581 (2004), the Supreme Court held that the Age Discrimination in Employment Act (ADEA) only prohibits discrimination against relatively older workers in the protected age group, not discrimination based on age generally. Thus, for example, after *Cline*, an individual who is 40 years old may not sue under the ADEA on the ground that an employer favored a 55-year-old worker on the basis of age. In order to conform to the decision in *Cline*, on July 6, 2007, the EEOC amended its ADEA regulations, which previously did not allow employers to prefer relatively older workers to younger workers who were at least 40 years old.

In May 2007, the EEOC issued enforcement guidance on the "Unlawful Disparate Treatment of Workers with Caregiving Responsibilities." The potential for conflicts between work and caregiving responsibilities has increased as more women (still the primary caregivers of children) have entered the workforce and many men have assumed more caregiving responsibilities. Also, workers are increasingly becoming caregivers of aging parents and older family members. While the employment discrimination laws do not protect caregivers per se, stereotypical assumptions about individuals with caregiving responsibilities may lead to discrimination on the bases of sex or race. Additionally, violations of the ADA may occur when those who care for individuals with disabilities are denied jobs or opportunities for advancement because employers assume that their role as caregivers will prevent them from meeting job requirements. The enforcement guidance explains how to analyze charges of discrimination on the basis of sex and race, or on the basis of an "association with an individual with a disability" that are brought by applicants or employees with caregiving responsibilities.

Agency Infrastructure and the President's Management Agenda

We are constantly seeking ways to achieve organizational excellence by improving our organizational capacity and infrastructure through sound management of our resources—human, financial and technological. Maximizing effective use of these resources is essential to achieve our enforcement and outreach goals and to carry out our mission.

Our agency's mission to promote equal employment opportunity and enforce the federal employment discrimination laws is a constant reminder to us of the importance of organizational excellence. Only through organizational excellence can we rise to challenges and achieve the ambitious measures of success set out in our Strategic Objective.

Infrastructure Highlights

Late in FY 2007, the Commission voted to transfer its customer information operation from a contracted national contact center to a dedicated in-house customer service team staffed with government employees. The Commission will locate this function at 15 current EEOC locations. A report, due in November 2007, will lay out the costs and requirements for staff, technology and facilities. The in-house customer service team will be fully operational during FY 2008.

Along with improvements to our EEO-1 Reporting System that benefited employers, in FY 2007, we improved data analysis and integrity by integrating this employer data with the private sector charge data collected in our Integrated Mission System (IMS). As a result, the agency has been able to match employer data characteristics and statistics with our repository of employment discrimination charges to assist in our systemic targeting and investigation efforts. We also incorporated the federal appeals process and data into the IMS, thereby retiring the old stand-alone legacy system that previously supported these functions.

To advance our technological infrastructure, in FY 2007, we replaced all of our field offices' personal desktop computers with securely configured laptops and docking stations, thereby improving our telework capabilities and pandemic preparedness. We also expanded usage of video streaming, using this technology to conduct depositions and external hearings, provide remote interpretive services, conduct remote training, and improve collaboration/communication across our multiple office locations.

Over the past several years, the EEOC has implemented several new and improved information systems that have consolidated agency data into centralized, standardized environments. Now that the EEOC has standardized mechanisms for collecting information, we need to focus on how to use and analyze this information, across platforms and systems.

In that regard, the implementation of Knowledge Management continues to be a priority for the agency. To move toward the vision for Knowledge Management, during FY 2007 the EEOC obtained external expert resources to conduct a knowledge management study and develop a business case for future implementation and funding. Through this study, the EEOC is reviewing the data architecture of our primary information systems, identifying current issues with data management and reporting, outlining future requirements for integrated reporting and data analysis, and developing a design and migration strategy for implementing knowledge management/data warehousing. The EEOC will complete this analysis and have a new design and migration strategy recommended by the contractor by the end of FY 2007.

Another critical need related to Knowledge Management is the expansion of electronic document management within the EEOC. Currently, the Office of Federal Operations (OFO) uses the Document Management System (DMS) to electronically store and manage their federal appellate case files. Interfaces between the OFO DMS application and the new IMS Federal Appellate module have been developed, so that documents created in the IMS are automatically stored within the appropriate electronic case file within the DMS. In addition, in FY 2007, the EEOC continued efforts to electronically store and manage our litigation case files and briefs, develop a hearings decision library for our administrative judges, and implement technologies to securely receive and transmit sensitive electronic case files with other federal agencies. In addition to the efficiency savings achieved in working with electronic documents, the DMS will provide electronic disaster recovery for the agency's critical files.

President's Management Agenda

We found the President's Management Agenda (PMA) a useful guide, as we developed and implemented our management strategies. The PMA identifies five areas that require improvement throughout the federal government. The five-part agenda is an integrated set of management reforms designed to create a more results-oriented, customer-focused, and market-based government. Since FY 2003, the agency's Inspector General has rated the agency in all areas. Our ultimate goal is to achieve a green rating in all PMA scorecard categories. Our efforts to get to green are discussed in the following sections.

***Strategic Management of Human Capital*:** During FY 2007, we continued to improve the strategic management of human capital by completing key steps toward developing and implementing our human capital initiative, which includes:

- Efforts to develop and sustain leadership and support succession planning through the agency's Management Development Institute, an umbrella program addressing managerial needs of supervisors and executives;
- Participation in the Office of Personnel Management's human capital surveys and planning during FY 2007 to implement internal surveys as part of a regular initiative to identify employee satisfaction with human capital management and develop action plans based on an analysis of the feedback;
- Identifying and quantifying mission critical competencies for key positions, including investigators, attorneys and mediators, and developing multi-year training plans to address any organizational gaps;
- Closing gaps through individual development plans, mentoring, training, rotational assignments and other staff development initiatives; and
- Aggressively recruiting, developing and retaining high-quality talent.

Competitive Sourcing: As part of our competitive sourcing obligations, we consistently identify potential areas for planned competitions. In FY 2007, we began a competition of our file disclosure backroom services with an award expected in FY 2008. We also prepared to initiate a study for information technology desktop management to be conducted in FY 2008.

Improved Financial Management: For 4 years in a row, including FY 2007 we continued to show commitment to improved financial management, as evidenced by receiving unqualified opinions on our financial statements. In addition, during FY 2007, we prepared for the implementation of CGI's Federal Momentum® under the shared services program with the Department of Interior, National Business Center (DOI-NBC). This was completed on October 9, 2007. We have also begun preparations for implementing during FY 2008 a new bankcard provider using the General Services Administration (GSA) SmartPay® 2 program and the e-travel service requirement prescribed by the GSA.

Expanded Electronic Government: We have continued the EEOC's commitment toward improved service and government efficiency by the use of expanded electronic government (e-gov) by implementing several major e-government initiatives that have automated internal processes, reduced paperwork burden, integrated data, and provided electronic alternatives to obtain agency services. Benefits from implementing these programs include:

- Decreasing the burden on businesses and achieving internal cost savings by enabling companies to update and submit required EEO-1 reporting data online;
- Improving customer service and internal efficiency by providing the ability to register and pay for EEOC seminars and training materials on-line via the Internet;
- Improving public access to information by submitting EEOC civil litigation case information electronically;
- Decreasing the burden on other federal government agencies through electronic submission and acceptance of annual federal EEO reporting; and
- Increasing electronic access to information and enhancing disaster recovery through the conversion of federal appellate case files to an electronic format within a structured Document Management System.

Budget and Performance Integration: Also, the agency continues to promote better ways to enhance the agency's budget and performance integration and improve financial management through the collection, allocation and reporting of performance and budget information. During FY 2007, the agency reviewed a new time and attendance and labor distribution software package for implementation in the future. The package will improve data quality and contribute to better management decision-making.

Addendum: Interim Adjustments to the Strategic Plan

The agency has made interim modifications to the EEOC's Strategic Plan for FYs 2007 through 2012; which became effective at the start of FY 2007 (October 1, 2006). During a substantive review of our Plan, as a result of our PART assessment and rating in FY 2006, we made modifications, with OMB's approval, and several additional changes to improve the Strategic Plan's presentation. These are described below:

- Revise Long-Term Measure 1

  Initially, Long-Term Measure 1 included two Annual Measures. These integrated measures were designed to demonstrate the EEOC's results in providing benefits to individuals in the workplace because of its enforcement and outreach programs. During the agency's review and preliminary efforts to design an appropriate methodology for collecting data, the agency determined that the enforcement program was the substantial component of the Long-Term Measure, and that it was not currently feasible to develop a reliable method for collecting and analyzing outreach data. In consultation with OMB, the measure was modified to measure the agency's enforcement programs only. The Annual Measure regarding outreach results was removed. Since the remaining Annual Measure for enforcement results was now redundant with the Long-Term Measure, it was also removed. Long-Term Measure 1 was modified to Long-Term/Annual Measure 1 and minor language changes were made.

- Remove the Management Objective—Incorporate Concepts into Means and Strategies

  In reviewing the overall focus of the agency's Strategic Plan, it was determined that a separate Management Objective was not required, since the agency's efforts to improve its internal operations were designed to benefit its front-line enforcement and outreach programs. The agency incorporated the concepts of organizational improvement into the Means and Strategies section of the Strategic Plan; highlighting their important supportive role. Organizational changes and efforts to implement the President's Management Agenda are part of the agency's strategies for doing all of its work more effectively and efficiently.

- Revise References to the Five-Point Plan

  Also, the concepts described under the umbrella of the Five-Point Plan have always been critical aspects of its work. Although the Five-Point Plan itself provided an overall structure to express these important concepts, it added another organizational layer to the Strategic Plan that the agency now considers unnecessary. With the removal of a separate Management Objective and the incorporation of the essential elements into the Strategic Plan's Means and Strategies, the structure of the Five-Point Plan was less important and may add confusion for the reader of the EEOC's documents. Even though the structure of the Five-Point Plan was removed, the essential concepts remain in the Strategic Plan.

- Revise the Schedule of Program Evaluations

  The agency also revised a number of the program evaluations it intends to conduct during the life of the Strategic Plan. The revised program evaluation schedule is included in this performance budget.

- Revise Organizational Elements

  The organization of the measures was revised to better explain their interrelationship. Since the Efficiency Measure was directly related to the results achieved with the revised Long-Term/Annual Measure 1, it was moved directly after Measure 1 to better connect the relationship.

We also added a placeholder for the development of a measure of the contribution of our FEPA partners toward achievement of our goals. This development effort is required by our PART Improvement Plan.

Finally, we revised the graphic presentation of this new structure to accurately reflect these revisions.

Program Evaluation

Program evaluation is an important component of an agency's effort to assure that a program is operating as intended and achieving results. A program evaluation is a thorough examination of program design or operational effectiveness that uses a rigorous methodology, and statistical and analytical tools. It also uses expertise within and outside the program under review to enhance the analytical perspectives and add credence to the evaluation and recommendations.

Completion of a Program Evaluation on the Private Sector Charge Process

The agency initiated a program evaluation of its private sector charge process, as scheduled in its previous Strategic Plan. An independent contractor focused on answering two key questions or issues about the charge process: 1) whether different charge intake procedures among field offices provide consistent access to charge filing by potential charging parties and affect charge outcomes regardless of where charging parties live, work, or engage EEOC; and 2) whether the agency-wide emphasis on annual charge inventory control and expedited charge processing affects the nature of charge closures at the end of the fiscal year. The contractor issued its final report in November 2006, and the report contained three major findings and recommendations that the contractor believed would strengthen the efficacy of the Private Sector Charge intake and closure processes, and thereby promote more consistent treatment and justice for individuals seeking assistance from EEOC regardless of the field office responding to their inquiries and requests.

The report noted that it was "… impressed by the overall operation of the process, which handles and closes more than 70,000 charges of discrimination annually and results in significant remediation of discrimination in the workplace." It indicated that the agency "… appears to keep the process functioning, handling most charges in a timely manner, achieving more 'meritorious' resolutions, securing greater monetary benefits for complainants, and keeping charge inventories under control as never before."

With respect to its three findings, the contractor found first that "there are many intake procedures that are consistent among the field offices, but there appear to be major inconsistencies in the nature and amount of information provided by EEOC to potential charging parties concerning their opportunities, rights, and responsibilities, as well as the nature of information required of potential charging parties before they could file a formal charge of discrimination. These procedural inconsistencies may result in unequal opportunity for potential charging parties to access EEOC assistance." It recommended that "policies and procedures should be established to ensure more consistency among field offices regarding the information provided by EEOC to potential charging parties regarding their rights, opportunities, and obligations related to the Private Sector Charge Process that may influence their decision to file a charge."

Second, the contractor found that, "while different intake procedures and requirements among field offices may affect access to the EEOC, they do not appear to influence charge outcomes." It recommended that the agency "… should review and correct apparent procedural inconsistencies among field offices that may impact the opportunity of potential charging parties to gain access to the Private Sector Charge Process, including hours of operation and the availability of staff to respond to inquiries and conduct intake (interviews and charge filing), the methods available to potential charging parties to participate in intake interviews or file charges, and the kinds of information required of potential charging parties to file charges."

Third, based on the data reviewed, the contractor found that "field offices close a higher number of charges during months preceding inventory control performance reporting, especially at the end of the 2 fiscal years reviewed for this evaluation. These 'spikes' in charge closures may indicate inconsistent attention to, and treatment of, charges resolved during those performance reporting months relative to other months of the fiscal year." The contractor recommended that "the Commission should conduct periodic assessments of charge closures during months preceding quarterly and end-of-the-fiscal-year inventory control performance reporting by field offices to ensure that charging parties whose charges were closed during those months received equal attention and treatment to parties whose charges were closed at other times of the year."

The agency has established organizational work groups to examine the major findings and recommendations. Additionally, the issues regarding procedural inefficiencies and charge closures will be included in the scheduled reviews of field office operations.

Schedule of Future Program Evaluations

We have scheduled a number of program evaluations for completion during the next several years and will review opportunities to conduct additional evaluations. These evaluations will help guide adjustments or enhancements to these programs.

EEOC Program Evaluations		
Program Evaluation	Statement of Parameters of the Program Evaluation	Expected Initiation and Completion
Priority Charge Handling Procedures	Evaluate how well the Priority Charge Handling Procedures are working and ways to improve their implementation.	Initiate FY 2007 Complete FY 2008
Outreach/Technical Assistance	Evaluate the effectiveness of fee and no-fee based outreach/technical assistance efforts; for example, agency Technical Assistance Program Seminars (TAPS), Youth@Work activities, speakers at meetings, forums, panels or other activities designated as outreach or technical assistance.	Initiate FY 2008 Complete FY 2009
Systemic Enforcement	Evaluate the effectiveness of the EEOC's systemic enforcement initiative.	Initiate FY 2009 Complete FY 2010
EEOC External Communications	Evaluate the impact and effectiveness of the EEOC's external communications efforts, including publicity, the agency's activities with the media, the external website, and other public communications efforts.	Initiate FY 2010 Complete FY 2011
Effect of EEOC's Federal Sector Evaluations and assistance	Evaluate the results achieved from EEOC's evaluation and assistance activities with federal agencies that changed policies, practices or procedures.	Initiate FY 2011 Complete FY 2012

Verification and Validation of Data

Our private sector, federal sector and litigation programs require accurate enforcement data, as well as reliable financial and human resources information, to assess EEOC operations and performance results and make good management decisions. We will continue efforts to ensure the accuracy of our program information and any analysis of the information.

We continually review the information we collect in our databases for accuracy by using software editing programs and program reviews of a sample of records during field office technical assistance visits. In addition, Headquarters offices conduct analyses regularly to review the information collected in order to identify any anomalies that indicate erroneous entries requiring correction to collection procedures.

We have implemented approaches that enable the agency to collect information more rapidly and accurately by eliminating the need to enter information multiple times before it can be reviewed and analyzed. For example, we previously deployed a secure, web-based application that enabled businesses to electronically submit their annual Employer Information Report (EEO-1) to EEOC. This system continues to reduce the need for the manual entry of report data. It also includes automated edits to validate data, calculate totals, and compare statistics against the employer's prior year submission. In another example, we implemented a secure, web-based system that enabled all federal agencies to electronically submit annual equal employment opportunity statistics (Form 462). This system continues to improve the quality and timeliness of the information we receive. Finally, we continue to improve the collection and validation of information for our Integrated Mission System (IMS), which consolidates our mission data on charge intake, investigation, mediation, litigation, and outreach functions into a single shared information system. The IMS includes many automated edit checks and rules to enhance data integrity. Since several of our new performance measures require us to use data to assess our achievements, it is significant that we can now obtain those data much more quickly and with greater data accuracy.

We also implemented information quality guidelines and adopted internal procedures, which strengthen our ability to verify and validate the quality of our data before it is released to the public. In addition, the agency's Office of Inspector General continues to review aspects of the status of the agency's data validity and verification procedures, information systems, and databases and offer recommendations for improvements in its reports. We use the information and recommendations to continually improve our systems and data.

INSPECTOR GENERAL'S STATEMENTS

Summary of Significant Management Challenges

The following is a summary of issues the Inspector General considers the most serious management challenges the Agency is confronting. These matters require the commitment of significant Agency resources, sound decision making by the leadership, and continued oversight by the OIG.

Strategic Management of Human Capital

In our opinion, the Agency would receive a red light in the Strategic Management of Human Capital portion of the President's Management Agenda. The Agency needs to complete a workforce analysis addressing competency gaps in all mission-critical occupations. Once the workforce analysis is completed, strategies need to be developed to address the closing of competency gaps. Further, positions, functions, and organizations need to be structured in a manner that optimizes productivity, efficiency, and organizational effectiveness. In a 2006 audit of human resources operations by the Office of Personnel Management, EEOC officials cite funding constraints and a large caseload as the two major challenges affecting mission accomplishment. These challenges are magnified by the fact that EEOC has not conducted adequate workforce analysis or workforce planning to determine the degree to which budget or other issues, such as organizational structure and efficiency, impact mission accomplishment. It is imperative that senior-level management place greater emphasis on the human capital condition at EEOC and take steps to ensure that a vision of the Agency's future workforce is in place.

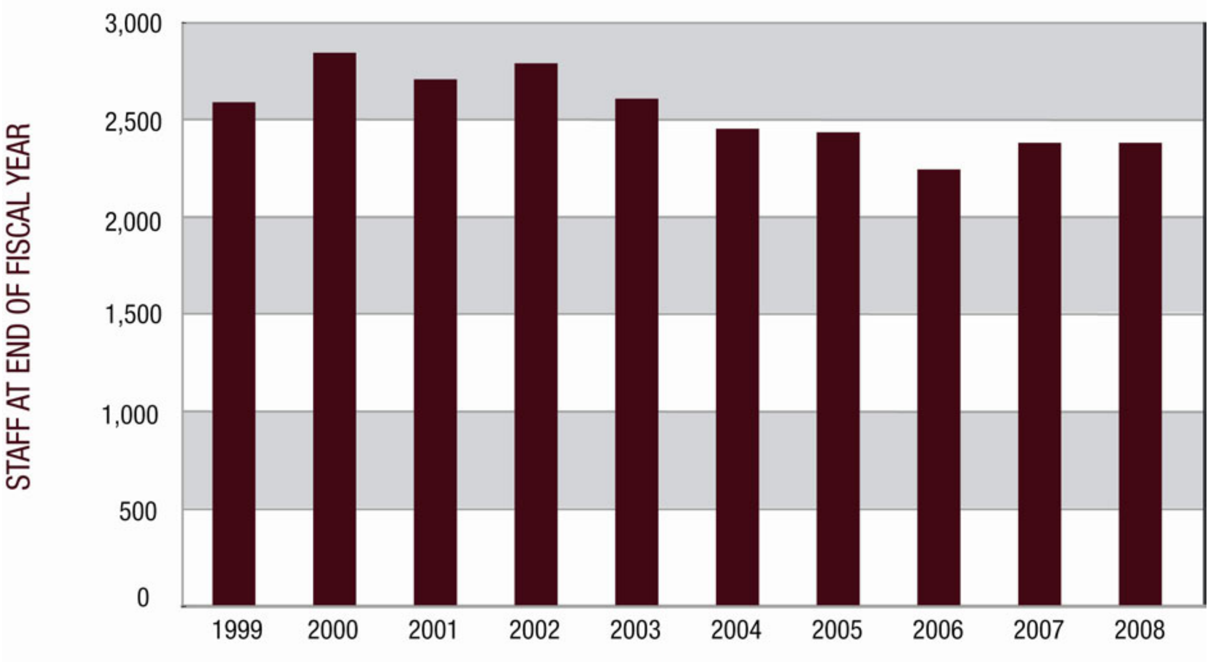
Also, EEOC continues to lack a comprehensive human capital plan closely linked to the Agency's strategic plan and annual performance goals. For example, the strategic plan does not fully integrate human capital into its mission goals and objectives. Measurable short- and long-term human capital needs are not defined, planned for, or funded. A comprehensive human capital plan would be the roadmap for continuous improvement and the framework for transforming the culture and operations of the Agency, and it should include:

- a clearly understood strategic plan;
- human capital outcomes and goals;
- strategies for accomplishing the goals;
- an implementation plan;
- a communication plan; and
- an accountability system.

Shrinking Workforce and Increasing Workload

The Agency is challenged in accomplishing its mission of promoting equality of opportunity in the workforce and enforcing federal laws prohibiting employment discrimination due to a reduced workforce and an increasing backlog of pending cases. EEOC has experienced a significant loss of its workforce, mostly to attrition and buyouts that the agency offered to free up resources. Figure 1 shows a decline of 347 staff (as measured in full-time equivalents) between 1999 and 2006.

Figure 1. EEOC Staffing FY 1999–2008 (2007 and 2008 are estimates)



(Source: U.S. Equal Employment Opportunity Commission Budget and Staffing History, eeoc.gov)

Further, the Agency is faced with an aging workforce that is increasingly retirement eligible. EEOC will have 42 percent of its employees eligible for retirement between fiscal years 2007 and 2012, which includes 46 percent of its investigators and 24 percent of its attorneys. Unfortunately, other than preparing annual succession plans, there is little evidence of succession planning implementation or recruiting and retention strategies.

EEOC faced an inventory of nearly 40,000 private-sector charges at the end of 2006, a 19 percent increase over the previous year. Estimates show that that inventory may reach 67,000 by the end of FY 2008. EEOC's inventories of hearing requests and appeals from Federal employees are also increasing.

Finally, the Agency's human resources office appears understaffed and lacking the skill sets needed to gain a green light in the strategic human capital initiative. EEOC is not unique in this regard; a recent study by the Partnership for Public Service and Grant Thornton, LLP, concludes that "the increased use of automation, consolidation and outsourcing in the human resources (HR) arena have left many federal HR professionals with largely outdated skills and no coordinated plan to upgrade those capabilities."

The Contact Center Function

A critical challenge for EEOC is managing the transition from an outsourced contact center to an EEOC-staffed contact center. The success of this effort will profoundly affect customer service, employee morale, and the budget. The Commission approved a 3-month extension (through December 19, 2007) of the contract with the contact center outsourcing firm. The Agency plans to use Agency staff to answer customer inquiries, which will provide EEOC management a short time frame in which to:

- write position descriptions, advertise the positions, and hire staff;

- decide in which field office(s) staff will be located;
- plan for the migration and/or integration of hardware and software needs;
- plan and execute the call distribution and data systems;
- create and execute training for the EEOC customer service representatives; and
- determine how to budget for the new positions and other costs.

Many of these issues pose difficult questions. For example, if the EEOC hires the same number of staff as used by the contact center contractor, about $1 million in additional personnel costs (and additional nonpersonnel transition costs) will be incurred. Given the challenges cited above, an additional extension with the outsource contact center provider may be necessary. EEOC has hired a consultant to assist in the transition planning.

Headquarters Reposition and Headquarters Relocation

Headquarters Reposition

In early 2007, Agency Chair Naomi Earp formed a workgroup consisting of Headquarters and field personnel to give her recommendations on the repositioning of Headquarters. Chair Earp has asked the workgroup to focus on streamlining, eliminating redundancies, and structuring Headquarters to be more efficient so as to provide better customer service to Agency field staff and the public. The workgroup met in Washington in April, May, and June. The project appears to have made little progress in the past several months. However, a draft report is expected in November 2007. The key challenge in the reorganization effort is to overcome opposition from managers who are attempting to protect their turf, fear change, and resist accountability.

Headquarters Relocation

The lease on the current Headquarters building will expire on July 31, 2008. The new Headquarters location will be at 131 M Street, Northeast, Washington, DC. Realigning and streamlining Headquarters functions and the timeliness and efficiency of moving staff and equipment will impact the productivity, effectiveness, and morale of all Headquarters employees.

A critical challenge is to ensure a timely relocation of the Headquarters. The award for the lease of the new Headquarters location was delayed from January 2007 to May 2007. After a second round of comments by staff on office configurations, the timing for the relocation was changed from July 2008 to October 2008. Since the new Headquarters location will have less square footage than the current location, significant attention must be paid to staff relocation, office furniture, file management, and development of the Agency's new information technology architecture.

As we recommended in our spring 2007 *Semiannual Report to Congress*, EEOC management initiated strategies to better manage employee expectations regarding the relocation. These include more timely two-way communication of information and events on the NoMa News Blog via the Agency's intranet.

Budget/Performance Integration

Although it is making progress, we believe the agency would receive a red light in the Budget and Performance Integration portion of the President's Management Agenda. The most notable deficiency is the Agency's inability to finalize an update to the strategic plan. In February 2007, the Office of

Management and Budget (OMB) released its Program Assessment Rating Tool (PART) assessment of EEOC. EEOC was rated "Not Performing—Results Not Demonstrated." As a result, EEOC is listed in the Not Performing Programs section of the OMB PART Web site, thereby placing EEOC in the lowest 22 percent of rated programs. This means that Agency managers do not have much of the information and tools vital to good management (e.g., adequate annual performance targets). Therefore, EEOC's challenge is to make the required improvements to raise its rating.

Prior to this reporting period, EEOC developed a PART improvement plan. During this reporting period, some progress was achieved in implementing the plan. For example, the Agency collected data and held discussions that should lead to the development of improved measures and performance targets. We urge senior Agency management to ensure substantial progress in these areas.

EEOC's cost accounting system has improved external reporting and the provision of information useful in managing Agency resources. For example, Agency managers now have more reliable information about program costs (e.g., how much is spent on outreach efforts). In addition, effective October 1, 2007, the Agency's time allocation system has been improved by adding a new activity code for use by employees dedicated to answering public calls in the in-house operation that will replace the National Contact Center, and by reducing from nine to four the number of activity codes for reporting union activities.

Financial Management

EEOC is challenged to continue improving its financial management in order to meet federal requirements and achieve improved Agency management. The Agency is moving forward with the migration from the Integrated Financial Management System (IFMS) to the Momentum System for accounting and reporting. The system became operational on October 9, 2007. Also, the Chief Financial Officer (CFO) is currently evaluating vendor proposals for supporting the Agency's purchase card program. The Agency's current vendor, Bank of America, opted to end its participation in the General Services Administration (GSA) SmartPay purchase card program. There are four vendors competing for the contract. A decision must be made by January 1, 2008, and the agency will switch to the new vendor by June 30, 2008. Additionally, the CFO must select a vendor for the agency's travel processing by October 2007. The current system, Travel Manager, is no longer an approved system for government use.

E-Gov

The Agency's E-Gov efforts face several challenges in the upcoming FY 2008. One of these challenges is the relocation of Headquarters to 131 M Street, Northeast, Washington, DC. This requires moving information technology infrastructure to the new location while minimizing the disruption to Headquarters services. Another challenge is the potential relocation of the Agency's data center managed services for the hosting of Agency servers and equipment, once an acquisition plan is executed. The Agency will also be challenged in the funding of several technological initiatives related to the implementation of knowledge management as part of the Agency's business processes. Knowledge management comprises a range of practices used by organizations to identify, create, represent, and distribute knowledge for reuse, awareness, and learning. Finally, the funding of a possible transition from Novell GroupWise to the Microsoft Exchange network platform creates another challenge.

Competitive Sourcing

The Agency faces the significant challenge of ensuring that internal opposition and resource constraints will not hamper competitive sourcing activities. The Agency's future competitive sourcing efforts will include a standard competition for desktop management. This competition will involve 40–50 full-time equivalents (FTEs) in the field and headquarter offices. Desktop management is a comprehensive approach to managing all the computers within an organization. Desktop management includes overseeing laptops and other computing devices as well as desktop computers.

The Agency is also in the process of awarding a contract to obtain assistance in writing the request for proposal (RFP) to ultimately obtain technology services to secure managed telecommunication and server operations. In addition, during FY 2007, the Agency drafted a performance work statement for the Freedom of Information Act (FOIA) and Section 83 of EEOC's *Compliance Manual* (Section 83, File Disclosure Request). The results of this competition are anticipated in the first quarter of 2008.

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

Office of
Inspector General

MEMORANDUM

TO : Naomi C. Earp
Chair

FROM : Aletha L. Brown
Inspector General

SUBJECT : Agency Compliance with the Federal Managers' Financial Integrity Act
(OIG Report No. 2007-18-AIC)

The *Federal Managers' Financial Integrity Act* (FMFIA), *P.L. 97-255*, as well as the Office of Management and Budget's (OMB) Circular A-123, Management Accountability and Control, establish specific requirements with regard to management controls. Accordingly, each agency head must establish controls to reasonably ensure that: (1) obligations and costs are in compliance with applicable laws; (2) funds, property and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures applicable to agency operations are properly recorded and accounted for, in order to permit the preparation of reliable financial and statistical reports, as well as to maintain accountability over the assets. FMFIA further requires each executive agency head, on the basis of an evaluation conducted in accordance with applicable guidelines, to prepare and submit a signed statement to the President disclosing that their agency's system of internal accounting and administrative controls fully comply with requirements established in FMFIA.

EEOC Order 195.001, Internal Control Systems requires this office to annually provide a written advisory to the Chair on whether the management control evaluation process complied with OMB guidelines. On November 13, 2007, the Office of Research, Information and Planning (ORIP) submitted EEOC's Fiscal Year 2007 Federal Managers' Financial Integrity Act Assurance Statement to the President, to the Office of Inspector General (OIG) for review. To make this determination OIG reviewed: (1) assurance statements submitted by headquarters and district directors attesting that their systems of management accountability and control were effective and that resources under their control were used consistent with the agency's mission and in compliance with the laws and regulations set out in the FMFIA of 1982; (2) all functional area summary tables, and functional area reports; and (3) ORIP's Fiscal year 2007 Federal Managers' Financial Integrity Act Assurance Statement and Assurance Statement Letter, with attachments. Based on our independent assessment of this year's process, OIG is pleased to advise you that the Agency's management control evaluation was conducted in accordance with OMB's standards.

Further, based on the results of audits, evaluations, and investigations conducted by OIG during Fiscal Year 2007, OIG concurs with ORIP's assertion that the Agency had no material weaknesses during this reporting cycle.

OIG concurs with ORIP's reporting of three instances of financial non-conformances. The Agency corrected one of the three financial non-conformances identified in FY 2007. The Agency also implemented corrective action plans to resolve the two remaining non-conformances in FY 2008.

FINANCIAL STATEMENTS

A Message From the Chief Financial Officer

I am pleased to present the U.S. Equal Employment Opportunity Commission's financial statements for FY 2007. Our financial statements are an integral component of our Performance and Accountability Report. The Accountability of Tax Dollars Act of 2002 extends to the agency a requirement to prepare and submit audited financial statements. The President's Management Agenda, Improved Financial Performance component among other standards, requires us to obtain and sustain clean audit opinions on our financial statements. The Office of Management and Budget (OMB) issued Circular A-136, Financial Reporting Requirements, on June 29, 2007, which further consolidated and refined reporting requirements for the PAR submission. In addition, the OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, on September 4, 2007, establishes updated minimum requirements for audits of federal financial statements.

Our FY 2007 financial statements received an unqualified opinion. This is the fourth consecutive year that the EEOC has received an unqualified opinion and represents our continuing successful efforts to improve the financial management of the agency. The Department of the Interior's National Business Center won a competition to replace the existing financial software with CGI's Momentum® software package. The conversion and implementation was completed on October 9, 2007 for FY 2008 operations. In addition, we finalized a decision on a GSA approved e-Travel processing vendor in October 2007.

In support of the Budget and Performance Integration component of the President's Management Agenda, we completed for the first time the Program Assessment Rating Tool (PART) assessment process working with the Office of Management and Budget. The program was rated "Results Not Demonstrated." The agency is working to improve those areas that need management attention. The agency undertook a review and made adjustments to the 6-year Strategic Plan covering FYs 2007 through 2012.

In support of the Competitive Sourcing component of the President's Management Agenda, we have just completed an OMB Circular A-76 study for the file disclosure function including back room processing of Freedom of Information Act (FOIA) and Section 83 Compliance Manual requests. This study used the standard competition methodology. The winning vendor was announced in October 2007.

For FY 2007, the agency received a $328.7 million budget. We completed the fiscal year within budget with improved financial management and some additional focus on cost controls and cost accounting. Compensation and benefit costs continue to consume a substantial portion of the budget. Some additional progress has been made to bring rising office space rent costs under control by leasing less office space consistent with the number of employees onboard and approved vacancies. However, rent costs remain about 9% of our total budget. With 9% of the budget dedicated to the state and local program, only 13% of the budget is available for technology, programs, travel, and other general expenses.

As reported in the past, I have identified several critical issues for the agency to focus on to continue to improve its long-term financial health. An update on each item is provided below.

- **Execute a disciplined analysis of future workforce and infrastructure requirements.** Unfortunately, the agency has been unable to slow the growth of the current and future cost of compensation and benefits for current employees, which are on a path to increase to over 72% of the EEOC's budget. These costs include salary, health and life insurance, agency contributions for retirement plans, social security, Medicare, worker's compensation, unemployment insurance, reasonable accommodations, and transit subsidies. The inability of the agency to implement any form of position management over the past several years suggests that it will be difficult to substantially change the cost of the compensation and benefits in future years.

Working with the General Services Administration, the agency has agreed to relocate the Headquarters office to 131 M Street, NE in Washington, D.C. in the first quarter of FY 2008. A 10-year office lease was signed May 23, 2007. The current lease is about 25% of the rent budget. The lease at the new location ensures the agency will not pay more than the current annual lease cost over the lease period.

The agency contracted for a second independent top-down study of the information technology infrastructure and staffing, with a report listing recommendations and implementation which began in FY 2007. The report calls for substantial changes in the governance, organization, use of contracts, server and network operations, desktop management, and the skill mix of staff in order to more effectively spend the $23 million annual budget for the information technology function. Substantial work is underway to change how IT services are acquired, managed and delivered.

- **Recognize and manage competing budget priorities.** We have kept spending controls in place for discretionary travel, awards, and training. Non-payroll costs also increased for homeland security, rent, facility services, and unfunded Government-wide programs such as a uniform federal Government employees' identification card project.
- **Formulate a long-term performance budget strategy.** The agency continues to look into alternative approaches for annual budget justifications because of the variations in workload and the inventory of cases. An adjusted Strategic Plan is in effect and may help focus how the agency will support future requests for budget resources.

In FY 2008 guided by our modified Strategic Plan, we will continue its focus on accountability, financial transparency, and results through improved performance metrics, budget planning and financial management.

Jeffrey A. Smith

Jeffrey A. Smith, CPA, CGFM
Chief Financial Officer
U.S. Equal Employment Opportunity Commission

November 8, 2007

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

Office of
Inspector General

November 14, 2007

MEMORANDUM

TO: Naomi C. Earp
Chair

FROM: Aletha L. Brown
Inspector General

SUBJECT: Audit of the Equal Employment Opportunity Commission's Fiscal Year 2007 and 2006 Financial Statements (OIG Report No. 2007-08-FIN)

The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Cotton and Company LLP to audit the financial statements of the U.S. Equal Employment Opportunity Commission (EEOC) for fiscal years 2007 and 2006. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget's Bulletin 07-04, *Audit Requirements for Federal Financial Statements,* and the Government Accounting Office/President's Council on Integrity and Efficiency's *Financial Audit Manual.*

Cotton and Company LLP issued an unqualified opinion on EEOC's FY 2007 and 2006 financial statements. In its Report on Internal Control, Cotton and Company LLP noted two matters involving internal control and its operation that were considered to be significant deficiencies. These matters included inaccurate timekeeping and the FY 2007 Anti-Deficiency Act violation. In its Report on Compliance with Laws and Regulations, Cotton and Co. LLP noted an instance of non compliance with 31 U.S.C. Section 1517, Subsection (a) relating to the FY 2007 Anti-Deficiency Act violation.

In connection with the contract, OIG reviewed Cotton and Company LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on EEOC's financial statements or conclusions about the effectiveness of internal controls or on whether EEOC's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations. Cotton and Company LLP is responsible for the attached auditor's report dated November 2, 2007 and the conclusions expressed in the report. However, OIG's review disclosed no instances where Cotton and

Company LLP did not comply, in all material respects, with generally accepted government auditing standards.

EEOC management was given the opportunity to review the draft report and to provide comments. The Office of the Chief Financial Officer, the Office of Legal Counsel and the Office of Information Technology indicated that that had no comments. The Office of Human Resources provided comments and they are included with the report as an attachment (Appendix A).

cc: Anthony Kaminski
Jeffrey A. Smith
Raj Mohan
Nicholas Inzeo
Peggy Mastroianni
Angelica Ibarguen
Pierrette McIntire

APPENDIX A

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

Office of
Human Resources

November 13, 2007

TO : Aletha L. Brown
Inspector General

FROM : Angelica E. Ibarguen
Chief Human Capital Officer

SUBJECT : Response for FY 2007 Financial Audit

Thank you for the opportunity to respond to your draft report issued November 8, 2007. I am specifically responding to the recommendation in the "Inaccurate Timekeeping" section of the report.

Towards the end of FY 2007, a revised Administrative Manual for Time and Attendance was produced and placed on EEOC's internal website for use by all timekeepers and certifiers. The manual dictates what timekeepers and certifiers' roles are, what should be reviewed on the timecards and how to proceed with incorrect or incomplete information. OHR also continues to send our FPPS Users notes of importance and those issues that need periodic reminders. An automated time and attendance system such as QuickTime, which we understand is in the FY 2009 budget, will virtually eliminate inaccurate reporting of information by both the employee and timekeeper.

If you have any additional questions or concerns, please feel free to contact me or Randy Garmon of my staff at extension 4341.

Cc: Anthony Kaminski, Chief Operating Officer

Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314
P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

Inspector General
Equal Employment Opportunity Commission

INDEPENDENT AUDITOR'S REPORT

We audited the Balance Sheets of the U.S. Equal Employment Opportunity Commission (EEOC) as of September 30, 2007, and 2006, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the years then ended. These financial statements are the responsibility of EEOC management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EEOC as of September 30, 2007, and 2006, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis (MD&A) and other accompanying information are not required as part of EEOC's basic financial statements. For MD&A, which is required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 15, *Management's Discussion and Analysis*, we made certain inquiries of management and compared the information for consistency with EEOC's audited financial statements and against other knowledge we obtained during our audits. For other accompanying information, we compared the information with the financial statements. We did not audit the MD&A or other accompanying information and therefore express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued separate reports dated November 2, 2007, on our consideration of EEOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audits.

COTTON & COMPANY LLP

Colette Y. Wilson, CPA
Partner

November 2, 2007
Alexandria, Virginia

Cotton & Company

Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

Inspector General
Equal Employment Opportunity Commission

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

We audited the Balance Sheets of the U.S. Equal Employment Opportunity Commission (EEOC) as of September 30, 2007, and 2006, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the years then ended. We have issued our report thereon dated November 2, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits, we considered EEOC's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EEOC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of EEOC's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did, however, note two matters involving internal control and its operation that we considered to be significant deficiencies.

INACCURATE TIMEKEEPING

EEOC employees did not follow the agency's policy regarding correct recording of work hours and proper allocation of hours among functions during Fiscal Year (FY) 2007. In addition, timekeepers and certifiers did not perform thorough reviews of information entered into EEOC's timekeeping system to ensure that it accurately reflected work performed by employees.

Per EEOC policy, each employee is required to complete a Cost Accounting Bi-weekly Timesheet each pay period. The employee is required to record time worked and allocate time among activity codes representing EEOC program areas. In addition, certifiers are expected to review and approve the assignment of hours to activity codes.

Failure to properly record hours worked and activity codes on the Bi-weekly Timesheet along with entering incorrect data into EEOC's accounting system could lead to improper calculation of accrued annual leave liability as presented on the Balance Sheet as well as incorrect program cost allocation on the Statement of Net Cost.

Recommendation: We recommend that the EEOC Office of Human Resources (OHR) review and refine controls in place over time-and-attendance reporting to ensure that all employees report accurate and complete information to timekeepers. Additionally, we recommend that OHR implement a policy requiring return of timesheets with incorrect or incomplete information to employees for correction before certification of time-and-attendance information in EEOC's online timekeeping system.

Management Response: EEOC management's response follows:

> *Towards the end of FY 2007, a revised Administrative Manual for Time and Attendance was produced and placed on EEOC's internal website for use by all timekeepers and certifiers. The manual dictates what timekeepers and certifiers' roles are, what should be reviewed on the timecards and how to proceed with incorrect or incomplete information. OHR also continues to send our FPPS Users notes of importance and those issues that need periodic reminders. An automated time and attendance system such as QuickTime, which we understand is in the FY 2009 budget, will virtually eliminate inaccurate reporting of information by both the employee and timekeeper.*

Auditor Comment: EEOC's proposed action if implemented will adequately address this recommendation.

ANTI-DEFICIENCY ACT VIOLATION

EEOC violated the Anti-Deficiency Act by obligating funds within the Revolving Fund before those funds were apportioned by OMB during Fiscal Year (FY) 2007.

According to 31 USC, Section 1517, Subsection (a):

> *An officer or employee of the United States Government.. may not make or authorize an expenditure or obligation exceeding – (1) an apportionment; or (2) the amount permitted by regulations prescribed under section 1514(a) of this title.*

EEOC operated under a year-long continuing resolution during FY 2007. OMB issued OMB Bulletin 06-04 providing an automatic apportionment for all funds covered under the continuing resolution. The Revolving Fund does not receive appropriated funds and was not covered by the continuing resolution. As a result, EEOC was required to submit a Standard Form-132 to OMB requesting that funds for the year be apportioned for the Revolving Fund. EEOC personnel misunderstood Bulletin 06-04 and assumed that it apportioned funds in the Revolving Fund. EEOC obligated $189,498 within the Revolving Fund before funds were apportioned for FY 2007, thus violating the Anti-Deficiency Act.

Recommendation: We recommend that the EEOC Chief Financial Officer review and update policies and procedures in place over the apportionment of funds to ensure that all funds are apportioned before obligations are incurred, as required by law.

Management Response: EEOC management concurred with this recommendation. When notified by OMB that a violation may have occurred, EEOC personnel immediately submitted an apportionment request to OMB to have the Revolving Fund apportioned. In addition, EEOC management prepared and submitted to the President a letter detailing the Anti-Deficiency Act violation as required by 31 USC, Section 1517, Subsection (b).

Auditor Comment: EEOC has adequately addressed this finding and recommendation.

With respect to internal control related to significant performance measures included in Management's Discussion and Analysis, we obtained an understanding of the design of internal control relating to existence and completeness assertions, as required by OMB Bulletin 07-04. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not express such an opinion.

We noted certain matters involving internal control and its operation that we will report to EEOC management in a separate letter.

This report is intended solely for the information and use of EEOC management, others within EEOC, OMB, and Congress. It is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Colette Y. Wilson, CPA
Partner

November 2, 2007
Alexandria, Virginia

Cotton & Company
Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314
P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

Inspector General
Equal Employment Opportunity Commission

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We audited the Balance Sheets of the U.S. Equal Employment Opportunity Commission (EEOC) as of September 30, 2007, and 2006, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the years then ended. We have issued our report thereon dated November 2, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *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 EEOC's financial statements are free of material misstatement, we performed tests of its 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 07-04. Providing an opinion on compliance with those provisions was not, however, an objective of our audits, and accordingly, we do not express such an opinion.

Results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04 and is described below.

EEOC violated the Anti-Deficiency Act by obligating funds within the Revolving Fund before those funds were apportioned by OMB during Fiscal Year (FY) 2007.

According to 31 USC, Section 1517, Subsection (a):

> *An officer or employee of the United States Government.. may not make or authorize an expenditure or obligation exceeding – (1) an apportionment; or (2) the amount permitted by regulations prescribed under section 1514(a) of this title.*

EEOC operated under a year-long continuing resolution during FY 2007. OMB issued OMB Bulletin 06-04 providing an automatic apportionment for all funds covered under the continuing resolution. The Revolving Fund does not receive appropriated funds and was not covered by the continuing resolution. As a result, EEOC was required to submit a Standard Form-132 to OMB requesting that funds for the year be apportioned for the Revolving Fund. EEOC personnel misunderstood Bulletin 06-04 and assumed that it apportioned funds in the Revolving Fund. EEOC obligated $189,498 within the Revolving Fund before funds were apportioned for FY 2007, thus violating the Anti-Deficiency Act.

This report is intended solely for the information and use of EEOC management, others within EEOC, OMB, and Congress. It is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Colette Y. Wilson, CPA
Partner

November 2, 2007
Alexandria, Virginia

Limitations of the Financial Statements

EEOC has prepared its financial statements to report its financial position and results of operations, pursuant to the requirements of the Accountability of Tax Dollars Act of 2002, the Government Management Reform Act of 1994, and OMB Circular A-136, *Financial Reporting Requirements.*

While the EEOC statements have been prepared from its books and records in accordance with the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the understanding that they are for a component of the United States Government, a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation by Congress and payment of all liabilities, other than for contracts, can be abrogated by the federal government.

Equal Employment Opportunity Commission
Consolidated Balance Sheets
As of September 30, 2007 and 2006
(in dollars)

	FY 2007	FY 2006
ASSETS		
Intragovernmental		
Fund balance with treasury (Note 2)	$ 66,569,764	$ 62,415,787
Accounts receivable (Note 3)	75,102	71,552
Prepaid expenses	28,840	-
Total intragovernmental assets	66,673,706	62,487,339
Accounts receivable, net (Note 3)	218,725	260,455
General property and equipment, net (Note 4)	1,771,809	2,922,452
Advances and prepaid expenses	124,858	241,457
TOTAL ASSETS	68,789,098	65,911,703
LIABILITIES		
Intragovernmental		
Accounts payable (Note 6)	278,947	2,279,711
Employer payroll taxes	1,671,057	1,631,715
Worker's compensation liability (Note 7)	2,400,861	2,389,151
Amounts due to Treasury for non-entity assets (Note 5)	7,740	1,130
Total intragovernmental liabilities	4,358,605	6,301,707
Accounts payable	14,212,309	22,317,078
Accrued payroll	6,856,639	6,678,046
Accrued annual leave (Note 7)	16,838,783	16,435,414
Future worker's compensation liability (Note 7)	9,422,646	9,246,144
Contingent liabilities (Note 9)	-	650,000
Capital lease liability (Notes 7, 10)	434,122	632,149
Amounts Collected for Restitution	261,277	252,856
TOTAL LIABILITIES (Notes 7, 8)	52,384,381	62,513,394
NET POSITION		
Unexpended appropriations	40,455,171	26,487,334
Cumulative results of operations -- earmarked funds	3,113,811	3,162,237
Cumulative results of operations -- other funds	(27,164,265)	(26,251,262)
Total net position	16,404,717	3,398,309
TOTAL LIABILITIES AND NET POSITION	$ 68,789,098	$ 65,911,703

The accompanying notes are an integral part of these statements.

Equal Employment Opportunity Commission
Consolidated Statements of Net Cost
For the Years Ended September 30, 2007 and 2006
(in dollars)

	FY2007	FY2006
JUSTICE, OPPORTUNITY, AND INCLUSIVE WORKPLACES		
Private Sector:		
Enforcement	$ 153,126,393	$ 156,762,988
Mediation	23,955,709	23,530,554
Litigation	59,273,198	58,468,652
Outreach	11,718,314	11,761,062
Training	3,265,619	3,285,356
State and Local	35,598,513	37,243,328
Total program costs - Private Sector	286,937,746	291,051,940
Revenue	(2,935,744)	(3,033,633)
Net cost - Private Sector	284,002,002	288,018,307
Federal Sector:		
Hearings	27,625,991	28,349,843
Appeals	13,966,501	15,510,318
Mediation	817,123	961,009
Oversight	4,427,656	4,095,720
Training	2,463,537	2,478,426
Total Program costs - Federal Sector	49,300,808	51,395,316
Revenue	(1,593,113)	(1,611,007)
Net cost - Federal Sector	47,707,695	49,784,309
Totals all programs		
Program costs	336,238,554	342,447,256
Revenue (Note 11)	(4,528,857)	(4,644,640)
Net Cost of Operations	$ 331,709,697	$ 337,802,616

The accompanying notes are an integral part of these statements

Equal Employment Opportunity Commission
Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2007 and 2006
(in dollars)

	FY 2007			FY 2006		
	Earmarked Funds	All Other Funds	Consolidated	Earmarked funds	All Other Funds	Consolidated
Cumulative Results of Operations						
Beginning Balances:	$ 3,162,237	$ (26,251,262)	$ (23,089,025)	$ 2,506,387	$ (27,111,259)	$ (24,604,872)
Adjustments:						
Correction of errors (Note 12)	-	-	-	-	259,757	259,757
Beginning balances, as adjusted	3,162,237	(26,251,262)	(23,089,025)	2,506,387	(26,851,502)	(24,345,115)
Budgetary Financing Sources:						
Unexpended appropriations - used	-	313,005,162	313,005,162	-	320,718,915	320,718,915
Other Financing Sources:						
Imputed financing sources (Note 16)	-	17,743,106	17,743,106	-	18,339,791	18,339,791
Transfers in/out without reimbursement	-	-	-			-
Total Financing Sources	-	330,748,268	330,748,268	-	339,058,706	339,058,706
Net Cost of Operations	(48,426)	(331,661,271)	(331,709,697)	655,850	(338,458,466)	(337,802,616)
Net Change	(48,426)	(913,003)	(961,429)	655,850	600,240	1,256,090
Cumulative Results of Operations	3,113,811	(27,164,265)	(24,050,454)	3,162,237	(26,251,262)	(23,089,025)
Unexpended Appropriations						
Beginning Balances:	$ -	$ 26,487,334	$ 26,487,334	$ -	$ 23,785,471	$ 23,785,471
Adjustments:						
Correction of errors (Note 12)		-	-		(259,757)	(259,757)
Beginning balances, as adjusted	-	26,487,334	26,487,334	-	23,525,714	23,525,714
Budgetary Financing Sources:						
Appropriations received (Note 13)	-	328,745,219	328,745,219	-	331,228,000	331,228,000
Recissions and canceled appropriations	-	(1,772,220)	(1,772,220)	-	(7,547,465)	(7,547,465)
Unexpended appropriations - used	-	(313,005,162)	(313,005,162)	-	(320,718,915)	(320,718,915)
Total Budgetary Financing Sources	-	13,967,837	13,967,837	-	2,961,620	2,961,620
Total Unexpended Appropriations	-	40,455,171	40,455,171	-	26,487,334	26,487,334
Net Position	$ 3,113,811	$ 13,290,906	$ 16,404,717	$ 3,162,237	$ 236,072	$ 3,398,309

The accompanying notes are an integral part of these statements.

Equal Employment Opportunity Commission
Combined Statement of Budgetary Resources
For the Years ending September 30, 2007 and 2006
(in dollars)

	FY 2007	FY 2006
Budgetary Resources		
Unobligated balance, brought forward, October 1:	$ 7,675,269	$ 9,651,710
Recoveries of prior year unpaid obligations	3,402,528	3,162,996
Budget authority:		
Appropriation (Note 13)	328,745,219	331,228,000
Spending authority from offsetting collections:		
Earned:		
Collected	5,118,385	5,323,095
Change in receivables from Federal sources	(3,141)	13,436
Subtotal	333,860,463	336,564,531
Permanently not available	(1,772,220)	(7,547,465)
Total Budgetary Resources	$ 343,166,040	$ 341,831,772
Status of Budgetary Resources		
Obligations incurred		
Direct obligations (Note 14)	334,153,116	333,711,293
Reimbursable obligations (Note 14)	121,019	445,210
Subtotal	334,274,135	334,156,503
Unobligated balance		
Apportioned	845,639	1,243,673
Unobligated balance not available	8,046,266	6,431,596
Total Status of Budgetary Resources	$ 343,166,040	$ 341,831,772
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations brought forward October 1	54,635,082	48,658,208
Less: Uncollected customer payments from Federal sources, brought forward, October 1:	(147,420)	(133,984)
Total unpaid obligated balance	54,487,662	48,524,224
Obligations incurred, net	334,274,135	334,156,503
Less: Gross outlays	(327,945,828)	(325,016,634)
Less: Recoveries of prior year unpaid obligations, net	(3,402,528)	(3,162,996)
Change in uncollected customer payments from Federal sources	3,141	(13,436)
Obligated balance, net, end of period		
Unpaid obligations	57,560,861	54,635,082
Less: Uncollected customer payments from Federal sources	(144,279)	(147,420)
Total, unpaid obligation balance, net, end of period	57,416,582	54,487,662
Net Outlays:		
Net Outlays:		
Gross outlays	327,945,828	325,016,633
Less: Offsetting collections	(5,118,385)	(5,323,095)
Net Outlays	$ 322,827,443	$ 319,693,538

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007 and 2006
(In Dollars)

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Equal Employment Opportunity Commission (EEOC) was created by Title VII of the Civil Rights Act of 1964 (78 Stat. 253:42 U.S.C. 2000e et seq) as amended by the Equal Employment Opportunity Act of 1972 (Public Law 92261), and became operational on August 2, 1965. Title VII requires that the Commission be composed of five members, not more than three of whom shall be of the same political party. The members are appointed by the President of the United States of America, by and with the consent of the Senate, for a term of 5 years. The President designates one member to serve as Chairman and one member to serve as Vice Chairman. The General Counsel is also appointed by the President, by and with the advice and consent of the Senate for a term of 4 years.

In addition, based on the EEOC Education Technical Assistance and Training Revolving Fund Act of 1992 (P.L. 102-411), the EEOC is authorized to charge and receive fees to offset the costs of education, technical assistance and training.

The Commission is concerned with discrimination by public and private employers of 15 or more employees (excluding elected or appointed officials of state and local governments), public and private employment agencies, labor organizations with 15 or more members or agencies which refer persons for employment or which represent employees of employers covered by the Act, and joint labor-management apprenticeship programs of covered employers and labor organizations. The Commission carries out its mission through investigation, conciliation, litigation, coordination, regulation in the federal sector, and through education, policy research, and provision of technical assistance.

(b) Basis of Presentation

These financial statements have been prepared to report the consolidated financial position of the EEOC, consistent with the Chief Financial Officers' Act of 1990 and the Government Management Reform Act of 1994. This means that any intra-agency transactions have been eliminated. These financial statements have been prepared from the books and records of the EEOC in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB), the Office of Management and Budget (OMB) and the EEOC's accounting policies, which are summarized in this note. These consolidated financial statements present proprietary information while other financial reports also prepared by the EEOC pursuant to OMB directives are used to monitor and control the EEOC's use of federal budgetary resources.

(c) Basis of Accounting

The Commission's integrated Financial Management System uses CGI's Federal Financial System (FFS), which is a highly flexible financial accounting, funds control, management accounting, and financial reporting system designed specifically for federal agencies. FFS complies with the Financial Systems Integration Office's core requirements for federal financial systems.

Financial transactions are recorded in the financial system, using both an accrual and a budgetary basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements and mandated controls over the use of federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded, and services received that will require payments during the same or future periods. Any EEOC intra-entity transactions have been eliminated in the consolidated financial statements.

(d) Revenues, User Fees and Financing Sources

The EEOC receives the majority of the funding needed to support its programs through congressional appropriations. Financing sources are received in direct and indirect annual and no-year appropriations that may be used, within statutory limits for operating and capital expenditures. Appropriations used are recognized as an accrual-based financing source when expenses are incurred or assets are purchased.

The EEOC also has permanent, indefinite appropriation. These additional funds are obtained through fees charged to offset costs for education, training and technical assistance provided through the revolving fund. The fund is used to pay the cost (including administrative and personnel expenses) of providing education, technical assistance, and training by the Commission. Revenue is recognized as earned when the services have been rendered by the EEOC.

An imputed financing source is recognized to offset costs incurred by the EEOC and funded by another federal source, in the period in which the cost was incurred. The types of costs offset by imputed financing are: (1) employees' pension benefits; (2) health insurance, life insurance and other post-retirement benefits for employees; and (3) losses in litigation proceedings. Funding from other federal agencies is recorded as an imputed financing source.

(e) Assets and Liabilities

Assets and liabilities presented on the EEOC's balance sheets include both entity and non-entity balances. Entity assets are assets that the EEOC has authority to use in its operations. Non-entity assets are held and managed by the EEOC, but are not available for use in operations. The EEOC's non-entity assets represent receivables that, when collected will be transferred to the United States Treasury.

Intra-governmental assets and liabilities arise from transactions between the Commission and other federal entities. All other assets and liabilities result from activity with non-federal entities.

Liabilities covered by budgetary or other resources are those liabilities of the EEOC for which Congress has appropriated funds, or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding.

(f) Fund Balance with the U.S. Treasury

Fund Balances with Treasury are cash balances remaining as of the fiscal year-end from which the EEOC is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law. The balance consists primarily of appropriations. The EEOC records and tracks appropriated funds in its general funds. Also included in Fund Balance with Treasury are fees collected for services which are recorded and tracked in the EEOC's revolving fund.

(g) Accounts Receivable

Accounts receivable consists of amounts owed to the EEOC by other federal agencies and from the public.

Intra-governmental accounts receivable represents amounts due from other federal agencies. The receivables are stated net of an allowance for estimated uncollectible amounts. The method used for estimating the allowance is based on analysis of aging of receivables and historical data.

Accounts receivable from non-federal agencies are stated net of an allowance for estimated uncollectible amounts. The allowance is determined by considering the debtor's current ability to pay, the debtor's payment record, and willingness to pay and an analysis of aged receivable activity.

(h) Property, Plant and Equipment

Property, plant and equipment consist of equipment, leasehold improvements and capitalized software. There are no restrictions on the use or convertibility of property, plant and equipment.

The EEOC capitalizes property, plant and equipment with a useful life of more than 2 years and an acquisition cost of $15,000 or more ($100,000 for leasehold improvements). Software purchases of $15,000 or more are capitalized with a useful life of 2 years or more.

Expenditures for normal repairs and maintenance are charged to expense as incurred unless the expenditure is equal to or greater than $15,000 and the improvement increases the asset's useful life by more than 2 years.

Depreciation or amortization of equipment is computed using the straight-line method over the assets' useful lives ranging from 5 to15 years. Copiers are depreciated using a 5-year life. Lektriev power files are depreciated over 15 years and computer hardware is depreciated over 10 to 12 years. Capitalized software is amortized over a useful life of 2 years. Amortization of capitalized software begins on the date it is put in service, if purchased, or when the module or component has been successfully tested if developed internally. Leasehold improvements are amortized over the remaining life of the lease.

The EEOC leases the majority of its office space from the General Services Administration. The lease costs approximate commercial lease rates for similar properties.

(i) Advances and Prepaid Expenses

Amounts advanced to EEOC employees for travel are recorded as an advance until the travel is completed and the employee accounts for travel expenses.

Expenses paid in advance of receiving services are recorded as a prepaid expense until the services are received.

(j) Accrued Annual, Sick and Other Leave and Compensatory Time

Annual leave, compensatory time and other leave time, along with related payroll costs, are accrued when earned, reduced when taken, and adjusted for changes in compensation rates. Sick leave is not accrued when earned, but rather expensed when taken.

(k) Retirement Benefits

EEOC employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security or remain in CSRS.

For employees under FERS, the EEOC contributes an amount equal to 1% of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional 4% of pay. For the calendar year of 2007, FERS employees can contribute $15,500 of their gross earnings to the plan. For calendar year 2007, CSRS employees' contribution is also $15,500 of their gross earnings. However, they receive no matching agency contribution.

The EEOC recognizes the full cost of providing future pension and Other Retirement Benefits (ORB) for current employees as required by SFFAS No. 5, *Accounting for Liabilities of the Federal Government.* Full costs include pension and ORB contributions paid out of EEOC appropriations and costs financed by the U.S. Office of Personnel Management (OPM). The amount financed by OPM is recognized as an imputed financing source. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLI) are reported by OPM rather than EEOC.

(l) Workers' Compensation

A liability is recorded for estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The FECA program is administered by the U.S. Department of Labor, (DOL) which initially pays valid claims and subsequently seeks reimbursement from federal agencies employing the claimants. Reimbursements to the DOL on payments made occur approximately 2 years subsequent to the actual disbursement. Budgetary resources for this intra-governmental liability are made available to the EEOC as part of its annual appropriation from Congress in the year that reimbursement to the DOL takes place. A liability is recorded for actual un-reimbursed costs paid by DOL to recipients under FECA.

Additionally, an estimate of the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases is recorded. The EEOC employs an actuary to compute this estimate using a method that utilizes historical benefit payment patterns related to a specific period to predict the ultimate payments related to the current period. The estimated liability is not covered by budgetary resources and will require future funding. This estimate is recorded as a future liability.

(m) Contingent Liabilities

Contingencies are recorded when losses are probable, and the cost is measurable. When an estimate of contingent losses includes a range of possible costs, the most likely cost is reported, but where no cost is more likely than any other, the lowest possible cost in the range is reported.

(n) Amounts Collected for Restitution

The courts directed an individual to pay amounts to the EEOC as restitution to several claimants named in a court case. These monies will be paid to claimants at a future date as directed by the courts.

(o) Cost Allocations to Programs

Costs associated with the EEOC's various programs consist of direct costs consumed by the program, including personnel costs, and a reasonable allocation of indirect costs. The indirect cost allocations are based on actual hours devoted to each program from information provided by EEOC employees.

(p) Unexpended Appropriations

Unexpended appropriations represent the amount of EEOC's unexpended appropriated spending authority as of the fiscal year-end that is unliquidated or is unobligated and has not lapsed, been rescinded or withdrawn.

(q) Income Taxes

As an agency of the federal government, EEOC is exempt from all income taxes imposed by any governing body, whether it is a federal, state, commonwealth, local, or foreign government.

(r) Use of Estimates

Management has made certain estimates and assumptions in reporting assets and liabilities and in the footnote disclosures. Actual results could differ from these estimates. Significant estimates underlying the accompanying financial statements include the allowance for doubtful accounts receivable, contingent liabilities and future workers' compensation costs.

(2) Fund Balance with Treasury

Treasury performs cash management activities for all federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of the EEOC to draw down funds from Treasury for expenses and liabilities.

Fund Balance with Treasury by fund type as of September 30, 2007 and 2006 consists of the following:

	FY 2007	FY 2006
Fund Type		
Revolving funds	$ 2,972,574	$ 3,024,435
Appropriated funds	63,335,913	59,138,496
Other fund types	261,277	252,856
Totals	**$ 66,569,764**	**$ 62,415,787**

The status of the fund balance is classified as unobligated available, unobligated unavailable, or obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in the current year of operations. The unavailable amounts are those appropriated in prior fiscal years, which are not available to fund new obligations. The unavailable balance also includes funds in deposit funds and miscellaneous receipts. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received, or goods and services received, but for which payment has not yet been made.

Obligated and unobligated balances reported for the status of Fund Balance with Treasury do not agree with obligation and unobligated balances reported on the Combined Statement of Budgetary Resources because the Fund Balance with Treasury includes items for which budgetary resources are not recorded, such as deposit funds and miscellaneous receipts. These funds are shown in the table below as Non-budgetary Fund Balance with Treasury.

The undelivered orders at the end of the period consist of $34,695,607 and $21,983,989 for FY 2007 and 2006, respectively.

For fiscal years ended September 30, 2007 and 2006, funds in closed accounts of $1,772,220 and $3,317,021 were returned to Treasury.

Status of Fund Balance with Treasury as of September 30, 2007 and 2006 consists of the following:

	FY 2007	FY 2006
Status of Funds		
Unobligated balance:		
Available	$ 845,639	$ 1,243,673
Unavailable	8,046,266	6,431,596
Obligated balance not yet disbursed	57,416,582	54,487,662
Non-budgetary Fund Balance with Treasury	261,277	252,856
Totals	**$ 66,569,764**	**$ 62,415,787**

(3) Accounts Receivable, Net

Intra-governmental accounts receivable due from federal agencies arise from the sale of services to other federal agencies. This sale of services generally reduces the duplication of effort within the federal government resulting in a lower cost of federal programs and services. While all receivables from federal agencies are considered collectible, an allowance for doubtful accounts is used to recognize the occasional billing dispute.

Accounts receivable due to EEOC from the public arise from enforcement or prevention and training services provided to public and private entities or state and local agencies. An analysis of accounts receivable is performed to determine collectibility and an appropriate allowance for uncollectible receivables is recorded.

Accounts receivable as of September 30, 2007 and 2006 are as follows:

	FY 2007	FY 2006
Intra-governmental:		
Accounts receivable (see detail below)	$ 75,953	$ 71,552
Allowance for uncollectible receivables	(851)	
Totals	**$ 75,102**	**$ 71,552**

	FY 2007	FY 2006
With the public:		
Accounts receivable	$ 269,993	$ 356,170
Allowance for uncollectible receivables	(51,268)	(95,715)
Totals	**$ 218,725**	**$ 260,455**

Amounts due from various federal agencies are for accounts receivable as of September 30, 2007 and 2006. These are related to registered training fees due to the revolving fund and appropriated interagency agreements as shown in the table below:

	FY 2007	FY 2006
Agency		
Revolving Fund (training fees)		
Department of the Army	$ 22,394	$ 3,280
Environmental Protection Agency	8,599	2,435
Department of Agriculture	4,080	5,135
Department of the Navy	4,025	1,130
General Services Administration	3,000	-
Department of the Interior	2,974	35
Department of Labor	1,990	2,315
Securities and Exchange Commission	1,860	-
Department of Education	1,850	-
Department of Homeland Security	1,805	3,555
Department of Housing and Urban Development	1,340	1,340
Department of Treasury	1,030	3,417
Department of the Air Force	995	-
Department of Commerce	925	-
Department of Justice	855	1,205
Department of Veterans Affairs	696	361
Department of Transportation	520	355
Department of Health and Human Services	335	2,100
Executive Office of the President	-	5,750
Other agencies	1,818	2,475
Subtotal revolving fund	61,091	34,888
Appropriated Funds (interagency agreements)		
National Aeronautics and Space Administration	14,862	-
Department of Labor		36,664
Subtotal appropriated funds	14,862	36,664
Totals	**$ 75,953**	**$ 71,552**

(4) Property, Plant and Equipment, Net

Property, plant and equipment consist of that property which is used in operations and consumed over time. The following tables summarize cost and accumulated depreciation of property, plant and equipment.

As of September 30, 2007	Cost	Accumulated Depreciation	Net Book Value
Equipment	$ 1,286,681	$ (854,077)	$ 432,604
Capital leases	904,821	(513,893)	390,928
Internal use software	4,018,975	(3,643,952)	375,023
Leasehold improvements	2,924,120	(2,350,866)	573,254
Totals	**$ 9,134,597**	**$ (7,362,788)**	**$ 1,771,809**

As of September 30, 2006	Cost	Accumulated Depreciation	Net Book Value
Equipment	$ 1,446,235	$ (889,255)	$ 556,980
Capital leases	1,068,809	(478,148)	590,661
Internal use software	3,296,782	(3,208,306)	88,476
Leasehold improvements	2,924,120	(1,942,723)	981,397
Internal software development	704,938		704,938
Totals	**$ 9,440,884**	**$ (6,518,432)**	**$ 2,922,452**

Depreciation expense for the periods ended September 30, 2007 and 2006 is:

FY 2007	FY 2006
$ 1,205,074	**$ 1,200,308**

(5) Non-Entity Assets

The EEOC has $7,740 of net receivables to collect on behalf of the U.S. Treasury as of September 30, 2007 and $1,130 of net receivables to collect on behalf of the U.S. Treasury as of September 30, 2006. Cash collections of $109,915 were returned to Treasury on September 30, 2007 and $138,929 was returned to Treasury as on September 30, 2006 as instructed by Treasury.

(6) Liabilities Owed to Other Federal Agencies

As of September 30, 2007 and 2006, the following amounts were owed to other federal agencies:

Agency:	**FY 2007**	**FY 2006**
General Services Administration	$ 144,820	$ 1,936,787
Department of Justice	114,105	114,105
Department of Health and Human Services	12,805	21,005
Department of Agriculture	5,950	5,950
Department of Interior	1,267	107,104
U.S. Postal Service	-	60,000
Office of Personnel Management	-	21,621
National Labor Relations Board	-	6,804
National Archives and Records Administration	-	6,335
Totals	**$ 278,947**	**$ 2,279,711**

(7) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources represent amounts owed in excess of available congressionally appropriated funds or other amounts.

Liabilities not covered by budgetary resources as of September 30 are shown in the following table:

	FY 2007	**FY 2006**
Intra-governmental:		
Accrued worker's compensation	$ 2,400,861	$ 2,389,151
Total intra-governmental	2,400,861	2,389,151
Accrued annual leave	16,838,783	16,435,414
Worker's compensation due in the future	9,422,646	9,246,144
Contingent liability		650,000
Capital lease liability	434,122	632,149
Total liabilities not covered by budgetary resources	29,096,412	29,352,858
Total liabilities covered by budgetary resources	23,287,969	33,160,536
Total liabilities	**$ $52,384,381**	**$ 62,513,394**

The EEOC employs an actuary to determine the future workers' compensation liability.

(8) Liabilities Analysis

Current and non-current liabilities as of September 30, 2007 are shown in the following table:

	Current	Non-Current	Totals
<u>Covered by budgetary resources</u>:			
Intra-governmental:			
Accounts payable	$ 278,947	$ -	$ 278,947
Payroll taxes	1,671,057	-	1,671,057
Due to Treasury	7,740	-	7,740
Total Intra-governmental	1,957,744	-	1,957,744
Accounts payable	14,212,309	-	14,212,309
Accrued payroll	6,856,639	-	6,856,639
Amounts collected for restitution	261,277	-	261,277
Liabilities covered by budgetary resources	23,287,969	-	23,287,969
<u>Liabilities not covered by budgetary resources</u>:			
Intra-governmental:			
Worker's compensation	1,054,223	1,346,638	2,400,861
Total Intra-governmental	1,054,223	1,346,638	2,400,861
Accrued annual leave	16,838,783	-	16,838,783
Actuarial worker's compensation	-	9,422,646	9,422,646
Capital lease liability	189,685	244,437	434,122
Liabilities not covered by budgetary resources	18,082,691	11,013,721	29,096,412
Total liabilities	**$ 41,370,660**	**$ 11,013,721**	**$ 52,384,381**

Current and non-current liabilities as of September 30, 2006 are shown in the following table:

	Current	Non-Current	Totals
Covered by budgetary resources:			
Intra-governmental:			
Accounts payable	$ 2,279,711	$ -	$ 2,279,711
Payroll taxes	1,631,715	-	1,631,715
Due to Treasury	1,130	-	1,130
Total Intra-governmental	3,912,556	-	3,912,556
Accounts payable	22,317,078	-	22,317,078
Accrued payroll	6,678,046	-	6,678,046
Amounts collected for restitution	252,856	-	252,856
Liabilities covered by budgetary resources	33,160,536	-	33,160,536
Liabilities not covered by budgetary resources:			
Intra-governmental:			
Worker's compensation	907,438	1,481,713	2,389,151
Total Intra-governmental	907,438	1,481,713	2,389,151
Accrued annual leave	16,435,414	-	16,435,414
Actuarial worker's compensation	-	9,246,144	9,246,144
Contingent liability		650,000	650,000
Capital lease liability	196,586	435,563	632,149
Liabilities not covered by budgetary resources	17,539,438	11,813,420	29,352,858
Total liabilities	**$ 50,699,974**	**$ 11,813,420**	**$ 62,513,394**

(9) Contingent Liabilities

EEOC is a party to various administrative proceedings, legal actions and claims that may eventually result in the payment of substantial monetary claims to third parties, or in the reallocation of material budgetary resources. Any financially unfavorable administrative or court decision could be funded from either the various claims to judgment funds maintained by Treasury or paid by EEOC. In FY 2007 and FY 2006 $-0- and $650,000, respectively was recorded for contingent liabilities, which are the amounts considered probable and measurable by EEOC's management and legal counsel. In addition for FY 2007, there are two claims for which it is reasonably possible that damages will be paid. The estimated amount of these claims are between two hundred thousand ($200,000) and seven million ($7,000,000). The chance of these claims succeeding is less than probable, but more than remote. The agency has and will continue to vigorously contest these claims. In the opinion of EEOC's management, the ultimate resolution of pending litigation will not have a material effect on the EEOC's financial statements.

(10) Leases

Capital Leases

The EEOC has several capital leases for copiers in the amount of $955,808 for FY 2007. These leases can be canceled without penalty. The future lease payments and net capital lease liability as of September 30, 2007 is as follows:

Fiscal Year	Future Payments
2008	$ 237,221
2009	167,995
2010	58,423
2011	58,423
2012	-
Thereafter	-
Total future lease payments	522,062
Less: imputed interest	(87,940)
Net capital lease liability	$ 434,122

None of the future lease payments are covered by budgetary resources.

Operating leases

The EEOC has several cancelable operating leases with the General Services Administration (GSA), for office space which do not have a stated expiration. The GSA charges rent that is intended to approximate commercial rental rates. Rental expenses for operating leases during FYs 2007 and 2006 are $26,021,773 and $26,386,995, respectively. The EEOC has estimated its future minimum liability on GSA operating leases by adding inflationary adjustments to the FY 2007 lease rental expense. Future estimated minimum lease payments, for 5 fiscal years under GSA as of September 30, 2007 are:

Fiscal Year	Estimated Payments
2008	$ 28,600,000
2009	28,640,000
2010	28,680,000
2011	29,397,000
2012	30,132,000
Total	**$ 145,449,000**

(11) Earned Revenue

The EEOC charges fees to offset costs for education, training and technical assistance. These services are provided to other federal agencies, the public, and to some State and Local agencies, as requested. In the chart below, the fees from services does not include intra-agency transactions. The Commission also has a small amount of reimbursable revenue from contracts with other federal agencies to provide on-site personnel. Revenue earned by the Commission as of September 30, 2007 and 2006 was as follows:

	FY 2007	FY 2006
Reimbursable revenue	$ 121,019	$ 445,210
Fees from services	4,407,838	4,199,430
Total Revenue	**$ 4,528,857**	**$ 4,644,640**

(12) Correction of Errors

Cumulative Results of Operations	**FY 2007**	**FY 2006**
Reclassify principle payments on capital lease obligation	-	**$ 259,757**
Totals	-	**$ 259,757**
Unexpended Appropriations		
Reclassify principle payments on capital lease obligation	-	**$ (259,757)**
Totals	-	**$ (259,757)**

(13) Appropriations Received

Warrants received by the Commission as of September 30, 2007 and 2006 are:

FY 2007	FY 2006
$ 328,745,219	**$ 331,228,000**

The warrant received by the EEOC for fiscal year September 30, 2007 was net of rescissions. During fiscal year ended September 30, 2006, rescissions in the amount of $4,230,444 were returned to Treasury from warrants received.

(14) Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations	FY 2007	FY 2006
Direct A	$ 304,630,345	$ 301,152,960
Direct B	29,522,771	32,558,333
Reimbursable - Direct A	121,019	445,210
	$ 334,274,135	$ 334,156,503

(15) Permanent Indefinite Appropriations

The Commission has permanent, indefinite appropriations from fees earned from services provided to the public and to other federal agencies. These fees are charged to offset costs for education, training and technical assistance provided through the revolving fund. The fund is used to pay the cost (including administrative and personnel expenses) of providing education, technical assistance and training by the Commission. Revenue is recognized as earned when the services have been rendered by the EEOC.

(16) Imputed Financing

OPM pays pension and other future retirement benefits on behalf of federal agencies for federal employees. OPM provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of federal agencies. The costs of these benefits are reflected as imputed financing in the consolidated financial statements. The U.S. Treasury's Judgment Fund paid certain judgments on behalf of the EEOC. Expenses of the EEOC paid or to be paid by other federal agencies at September 30, 2007 and 2006 consisted of:

	FY 2007	FY 2006
Office of Personnel Management:		
Pension expenses	$ 7,205,337	$ 8,012,489
Federal employees health benefits (FEHB)	10,453,072	10,208,315
Federal employees group life insurance (FEGLI)	29,911	30,282
Subtotal OPM	17,688,320	18,251,086
Treasury Judgment Fund	54,786	88,705
Total Imputed Financing	**$ 17,743,106**	**$ 18,339,791**

(17) Intragovernmental Costs and Exchange Revenue:

	FY 2007	FY 2006
Costs		
Department of Health and Human Services	$ 191,298	$ 232,102
Department of Justice	-	114,105
Department of Labor	1,236,202	1,262,698
Department of the Interior	3,617,539	2,034,978
Department of the Treasury	59,612	86,624
Department of Transportation	647,169	621,284
Federal Retirement Thrift Investment Board	5,012,752	-
General Services Administration	31,470,289	33,792,407
Government Printing Office	253,419	-
Library of Congress	38,213	87,401
National Archives and Records Administration	61,109	64,744
Office of Personnel Management	41,397,487	42,616,823
Social Security Administration	9,517,231	9,355,440
United States Postal Service	-	241,045
Other agencies	81,618	87,523
Intragovernmental Costs	93,583,938	90,597,174
Public costs	242,654,616	251,850,082
Total Program costs	**$ 336,238,554**	**$ 342,447,256**

	FY 2007	FY 2006
Revenue		
Department of Homeland Security	$ 198,946	$ 137,253
Department of Agriculture	40,540	-
Department of Commerce	73,572	-
Department of Education	-	182,351
Department of Interior	121,619	-
Department of Justice	45,044	139,214
Department of Labor	175,619	225,207
Department of the Air Force	-	515,681
Department of the Army	264,260	219,605
Department of the Navy	261,257	33,333
Department of the Treasury	13,513	347,055
Department of Transportation	130,628	-
Department of Veterans Affairs	40,540	-
Environmental Protection Agency	121,619	-
Federal Emergency Management Agency	-	353,046
Federal Labor Relations Authority	-	117,646
National Aeronautics and Space Administration	29,724	-
National Science Foundation	-	133,332
Other Agencies	53	3,000
Securities and Exchange Commission	22,522	-
United States Postal Service	45,044	-
Intragovernmental earned revenue	1,584,500	2,406,723
Public earned revenue	2,944,357	2,237,917
Total Program earned revenue (Note 11)	**4,528,857**	**4,644,640**
Net Cost of Operations	**$ 331,709,697**	**$ 337,802,616**

(18) Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The EEOC's budget is allocated to Justice, Opportunity, and Inclusive Workplaces.

Information from the President's Budget and the Combined Statement of Budgetary Resources for the period ended September 30, 2006 is shown in the following tables. A reconciliation is not presented for the period ended September 30, 2007, since the President's Budget for this period has not been issued by Congress.

Dollars in millions	President's Budget FY 2006 actual as of 9/30/06	Statement of Budgetary Resources FY 2006 as of 9/30/06	Estimated FY 2007	Estimated FY 2008
Budgetary resources	$ 327	$ 342	$ 323	$ 328
Total new obligations	327	334	323	328
Total outlays	320	320	324	327

The differences between the President's 2006 budget and the Combined Statement of Budgetary Resources for 2006 are shown below:

Dollars in millions		Budgetary Resources	Obligations	Outlays (g)
As reported on the Combined Statement of Budgetary Resources for FY 2006		$ 342	$ 334	$ 320
Revolving fund collections not reported in the budget	(a)	(5)		
Obligations in the revolving fund and no-year fund not included in the President's budget	(b)		(4)	
Carry-forwards and recoveries in the revolving fund and no-year fund not included in the President's Budget	(c)	(1)		
Carry-forwards and recoveries in expired funds	(d)	(11)		
Obligations in expired funds	(e)		(3)	
Canceled appropriations	(f)	2		
As reported in the President's Budget for FY 2006		**$ 327**	**$ 327**	**$ 320**

(a) The EEOC's revolving fund provides training and charges fees to offset the cost. The collections are reported on the Combined Statement of Budgetary Resources as a part of total budgetary resources, but are not reported in the President's Budget.

(b) The obligations incurred by the revolving fund and no year fund are not a part of the President's Budget but are included in total obligations incurred in the Combined Statement of Budgetary Resources.

(c) Revolving funds and no-year funds have carry-overs of unobligated balances and recoveries of obligations that are included in total resources on the Combined Statement of Budgetary Resources, but not included in the President's Budget.

(d) Expired funds have carry-overs of unobligated balances and recoveries of obligations that are included in total resources on the Combined Statement of Budgetary Resources until they are canceled, but are not included in the President's Budget.

(e) New obligations in expired funds are shown as a part of obligations incurred on the Combined Statement of Budgetary Resources, but are not included in the President's Budget.

(f) Canceled appropriations are not shown in the President's Budget, but are reported as a reduction to resources in the Combined Statement of Budgetary Resources.

(g) All outlays, whether from current year funds, expired funds, revolving funds or special funds are included in the President's Budget and on the Combined Statement of Budgetary Resources.

(19) Reconciliation of Net Cost of Operations to Budget

	FY 2007	FY 2006
Resources used to finance activities		
Budgetary Resources Obligated:		
Obligations incurred	$ 334,274,135	$ 334,156,503
Less: Spending authority from offsetting collections	(5,115,244)	(5,336,531)
Less: Spending authority from recoveries	(3,402,528)	(3,162,996)
Net obligations	325,756,363	325,656,976
Other Resources:		
Imputed financing from costs absorbed by others	17,743,106	18,339,791
Total resources used to finance activities	343,499,469	343,996,767
Resources used to finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided.	12,711,617	5,601,635
Resources that fund expenses recognized in prior periods	622,351	1,750,816
Resources that finance the acquisition of assets	65,304	444,548
Principal payments on capital leases	198,027	287,736
Total resources used to finance items not part of the net cost of operations	13,597,299	8,084,735
Total resources used to finance the net cost of operations	329,902,170	335,912,032
Components of the net cost of operations that will not require or generate resources in the current period:		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	403,369	-
Increase in other unfunded liabilities	11,710	595,593
Total components requiring or generating resources in future periods	415,079	595,593
Components not requiring or generating resources:		
Depreciation	1,205,074	1,200,308
Revaluation of assets or liabilities	10,872	23,795
Other resources or adjustments to net obligated resources that do not require or generate resources in the current period	176,502	70,888
Total components of net cost of operations that will not require or generate resources.	1,392,448	1,294,991
Total components of net cost of operations that will not require or generate resources in the current period.	1,807,527	1,890,584
Net cost of operations	**$ 331,709,697**	**$ 337,802,616**

APPENDIXES

Appendix A: Organization and Jurisdiction

The U.S. Equal Employment Opportunity Commission (EEOC) is a bipartisan Commission comprised of five presidentially appointed members, including the Chair, Vice Chair, and three Commissioners. The Chair is responsible for the administration and implementation of policy for and the financial management and organizational development of the Commission. The Vice Chair and the Commissioners participate equally in the development and approval of Commission policies, issue charges of discrimination where appropriate, and authorize the filing of suits. In addition to the Commissioners, the President appoints a General Counsel to support the Commission and provide direction, coordination, and supervision to the EEOC's litigation program. A brief description of major program areas is provided on the following pages.

When the Commission first opened its doors in 1965, it was charged with enforcing the employment provisions of the landmark Civil Rights Act of 1964. The EEOC has jurisdiction over employment discrimination issues has since grown and now includes the following areas:

- **Title VII of the Civil Rights Act,** which prohibits employment discrimination on the basis of race, color, religion, sex, and national origin.
- **Pregnancy Discrimination Act,** which requires employers to treat pregnancy and pregnancy related medical conditions, as any other medical disability with respect to terms and conditions of employment, including health benefits.
- **Rehabilitation Act of 1973,** which prohibits discrimination on the basis of disability in the federal government.
- **Equal Pay Provisions of the Fair Labor Standards Act,** which prohibits sex discrimination in the payment of wages to men and women performing substantially equal work in the same establishment.
- **Age Discrimination in Employment Act of 1967 (ADEA),** which protects workers 40 and older from discrimination in hiring, discharge, pay, promotions, fringe benefits, and other aspects of employment. ADEA also prohibits the termination of pension contributions and accruals on account of age and governs early retirement incentive plans and other aspects of benefits planning and integration for older workers.
- **Title I and Title V of the Americans with Disabilities Act of 1990 (ADA),** which prohibits discrimination against qualified individuals with disabilities in job application procedures, hiring, firing, advancement, compensation, fringe benefits, job training, and other terms, conditions, and privileges of employment.

Through its **Office of Federal Operations,** the EEOC provides leadership and guidance to federal agencies on all aspects of the federal government's equal employment opportunity program. This office assures federal agency and department compliance with EEOC regulations, provides technical assistance to federal agencies concerning EEO complaint adjudication, monitors and evaluates federal agencies' affirmative employment programs, develops and distributes federal sector educational materials and conducts training for stakeholders, provides guidance and assistance to our Administrative Judges who conduct hearings on EEO complaints, and adjudicates appeals from administrative decisions made by federal agencies on EEO complaints.

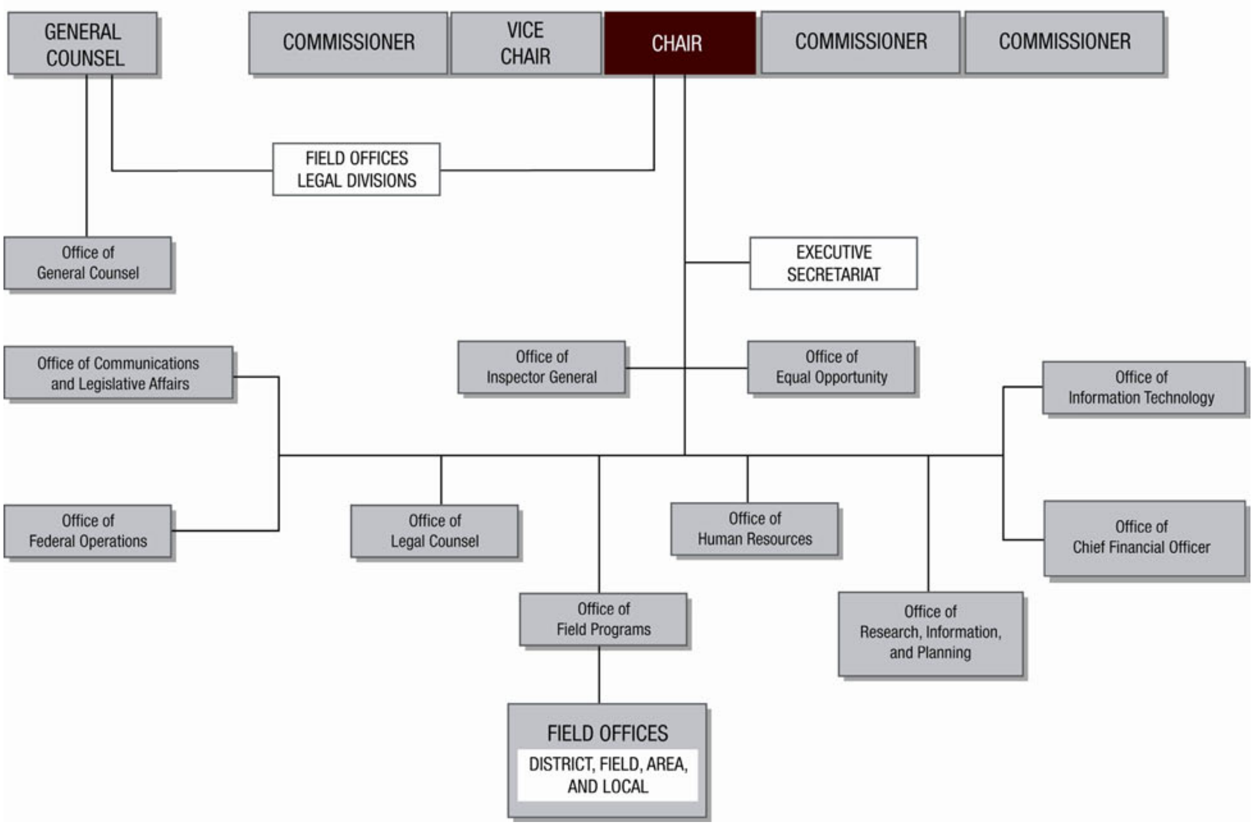
Through our Headquarters-based **Office of Field Programs**, the **Office of General Counsel**, and **53 field offices**, the EEOC effectively enforces the statutory, regulatory, policy, and program responsibilities of the Commission through a variety of resolution methods tailored to each charge. The field staff is responsible for achieving a wide range of objectives, which focus on the quality, timeliness, and appropriateness of individual, class, and systemic charges and for securing relief for victims of discrimination in accordance with Commission policies. The field staff also counsel individuals about their rights under the laws enforced by the EEOC and conduct outreach and technical assistance programs.

Additionally, through the **Office of Field Program's State and Local Programs**, the EEOC maintains worksharing agreements and a contract services program with 96 state and local Fair Employment Practices Agencies (FEPAs) for the purpose of coordinating the investigation of charges dual-filed under State and local law and Federal law, as appropriate. Through our partnership with more than 60 **Tribal Employment Rights Offices (TEROs)**, we seek to promote equal employment opportunity on or near Indian reservations.

Through our **Office of Legal Counsel**, we develop policy guidance, provide technical assistance to employers and employees, and coordinate with other agencies and stakeholders regarding the statutes and regulations we enforce. The Office of Legal Counsel also includes an external litigation and advice division and a Freedom of Information Act unit.

The EEOC receives a congressional appropriation to fund the necessary expenses of enforcing civil rights legislation, as well as performing the prevention, outreach, and coordination of activities within the private and public sectors. In addition, the EEOC maintains a Revolving Fund for technical assistance programs. These programs provide fee-based education and training relating to the laws administered by the Commission.

EEOC ORGANIZATION



APPENDIX B: BIOGRAPHIES OF THE COMMISSIONERS AND THE GENERAL COUNSEL

The EEOC has five commissioners and a General Counsel appointed by the President and confirmed by the Senate. Commissioners are appointed for 5-year, staggered terms. The term of the General Counsel is 4 years. The President designates a Chair and a Vice Chair. The Chair is the chief executive officer of the Commission. The five-member Commission makes equal employment opportunity policy and approves litigation. The General Counsel is responsible for conducting EEOC enforcement litigation under Title VII of the Civil Rights Act of 1964 (Title VII), the Equal Pay Act, the Age Discrimination in Employment Act, and the Americans with Disabilities Act.

Naomi Churchill Earp, Chair

Naomi Churchill Earp assumed the role of Chair of the U.S. Equal Employment Opportunity Commission (EEOC) on August 31, 2006, after serving as Vice Chair of the Commission since April 28, 2003. On October 26, 2005, President Bush reappointed Ms. Earp for a second term. Her current term expires on July 1, 2010.

Ms. Earp serves as the chief executive officer of the Commission. In conjunction with fellow Commissioners, she also guides the development and establishment of EEO policy and approves high impact and novel litigation actions.

Ms. Earp brings to the EEOC hands-on leadership and management experience; a strong track record of promoting diversity; and expertise in the equal employment opportunity field. Her breadth of experience, spanning the private and public sectors, provides valuable insight into employment-related issues.

Ms. Earp's work experience in promoting diversity in EEO includes a series of progressively responsible leadership positions with various federal agencies, including the National Institute of Science and Technology, the National Institutes of Health (NIH), the Federal Deposit Insurance Corporation, and the U.S. Department of Agriculture. At the NIH, Ms. Earp spearheaded the development of a world-class diversity initiative and a nationally-recognized alternative dispute resolution program. At the Department of Agriculture she headed the Equal Opportunity Program, which included minority small businesses and minority farmers. Ms. Earp also served as an Attorney Advisor at the EEOC during the mid-1980s. In addition, she has worked as an independent consultant providing services to private employers and public agencies on a variety of employment-related issues and programs.

Leslie E. Silverman, Vice Chair

Leslie E. Silverman became Vice Chair of the U.S. Equal Employment Opportunity Commission on September 8, 2006, after serving as a Commissioner since March 7, 2002. She was first nominated by President George W. Bush in February 2002 and unanimously confirmed by the U.S. Senate on March 1, 2002. Ms. Silverman was renominated to a full term in July 2003 and unanimously confirmed by the Senate in October 2003. Her current term expires on July 1, 2008.

Vice Chair Silverman led the EEOC's Systemic Task Force which examined the EEOC's efforts at combating systemic discrimination. In April 2006, the Commission unanimously adopted the Task Force's major recommendations aimed at improving the EEOC's systemic program. Ms. Silverman also is a participant on the Center for Work-Life Policy's "Hidden Brain Drain" Task Force which focuses on the retention and advancement of women and minority employees.

Immediately prior to joining the Commission, Ms. Silverman served for 5 years as Labor Counsel to the Senate Health, Education, Labor and Pensions Committee. From 1990 to 1997, she was an associate specializing in employment law and litigation with Keller and Heckman, a Washington, D.C.-based law firm.

A native of Needham, Massachusetts, Ms. Silverman received a bachelor's degree from the University of Vermont; a Juris Doctor degree from the American University, Washington College of Law in Washington, D.C.; and a Masters degree With Distinction in labor and employment law from the Georgetown University Law Center in Washington, D.C. Ms. Silverman's bar memberships include the District of Columbia and the Commonwealth of Massachusetts. She also is licensed to practice before the United States Supreme Court and the United States Courts of Appeals for the Fourth and Sixth Circuits.

Stuart Ishimaru, Commissioner

Stuart J. Ishimaru was sworn in on November 17, 2003, as a Commissioner of the EEOC to serve the remainder of a term expiring July 1, 2007. Mr. Ishimaru was nominated by President George W. Bush on October 14 and confirmed by the full U.S. Senate on October 31, 2003.

Mr. Ishimaru previously served as Deputy Assistant Attorney General in the Civil Rights Division of the U.S. Department of Justice between 1999 and 2001, where he served as a principal advisor to the Assistant Attorney General for Civil Rights, advising on management, policy, and political issues involving the Civil Rights Division. He supervised more than 100 attorneys in high-profile litigation, including employment discrimination cases, fair housing and fair lending cases, criminal police misconduct, hate crime and slavery prosecutions, and enforcement of the Americans with Disabilities Act.

Prior to this, as Counsel to the Assistant Attorney General in the Civil Rights Division for 5 years, Mr. Ishimaru provided advice on a broad range of issues, including legislative affairs, politics and strategies. He maintained liaison between the office and Members of Congress, and supervised fair housing and fair lending, equal employment opportunity, education, and Voting Rights Act litigation. He also testified before Congressional Committees on fair housing issues.

In 1993, Mr. Ishimaru was appointed by President Clinton to be the Acting Staff Director of the U.S. Commission on Civil Rights, and from 1984-1993 served on the professional staffs of the House Judiciary Subcommittee on Civil and Constitutional Rights and two House Armed Services Subcommittees of the U.S. Congress.

Christine M. Griffin, Commissioner

Christine M. Griffin was sworn in on January 3, 2006, as a Commissioner of the U.S. Equal Employment Opportunity Commission. Ms. Griffin was nominated by President George W. Bush on July 28, 2005, and unanimously confirmed by the U.S. Senate on November 4 to serve the remainder of a 5-year term expiring July 1, 2009.

Ms. Griffin's work experience in labor and employment law includes positions in both the public and private sectors. Most recently, she served as the Executive Director of the Disability Law Center in Boston from 1996 to 2005. The Law Center provides legal advocacy on disability issues that promote the fundamental rights of all people with disabilities to participate fully and equally in the social and economic life of Massachusetts. As Executive Director, she provided leadership for the Law Center's 25 employees and conducted its overall management, including programmatic and fiscal planning, priority setting and implementation, and fundraising.

Prior to that, Ms. Griffin served from 1995 to 1996 as an Attorney Advisor to the former Vice Chair of the EEOC, Paul M. Igasaki, advising him on legal matters and policy issues. Ms. Griffin's other federal work experience includes serving in the U.S. Attorney's Office in Boston, the U.S. Food and Drug Administration, and the U.S. Army.

A native of Boston, Ms. Griffin is a graduate of the Massachusetts Maritime Academy and served as its Interim President from 1993 to 1994. She is also a graduate of Boston College Law School and, upon graduation, was awarded a Skadden Arps Fellowship at the Disability Law Center. Ms. Griffin has served on many boards and task forces, including the national Social Security Administration Ticket to Work Advisory Panel, the Massachusetts Developmental Disabilities Council, and the Massachusetts Board of Higher Education. In December 2005, Ms. Griffin was selected as one of the nation's eleven "Lawyers of the Year" by Lawyers Weekly USA newspaper.

Ronald S. Cooper, General Counsel

Ronald S. Cooper was sworn in Aug. 11, 2006, to a 4-year term as General Counsel of the U.S. Equal Employment Opportunity Commission. He was nominated by President George W. Bush on March 27, 2006, and unanimously confirmed by the Senate on July 26.

Mr. Cooper most recently was employed as a partner in the Washington D.C. office of Steptoe & Johnson LLP, where he had specialized in employment litigation for over 34 years. He primarily represented employers at the trial and appellate level in litigation throughout the country including case brought under Title VII, The Age Discrimination in Employment Act, The Equal Pay Act, The Americans with Disabilities Act and The Fair Labor Standards Act. These cases included large class actions and government enforcement matters. In addition to actions brought under federal law, he represented employers with respect to claims brought under state and local laws. Mr. Cooper also represented both employees and employers in restrictive covenant and executive compensation cases.

Mr. Cooper has been a fellow of the College of Labor and Employment Lawyers since 1997. He is a member of the ABA's Section of Labor and Employment Law and has held a number of leadership positions in that group including service as Management Chair of its Continuing Legal Education Committee. He most recently served as Management Chair of its International Labor Law Committee.

For 13 years Mr. Cooper served on the Metropolitan Board of Directors of the Boys & Girls Clubs of Greater Washington. He has also served on that organization's Executive Committee, and most recently was its General Counsel.

Mr. Cooper was born and raised in Athens, Georgia. He received his AB degree in the honors program of the University of Georgia, where he was elected to Phi Beta Kappa. He earned his JD degree from the University of Georgia School of Law. He served as law clerk to Judge Walter P. Gewin, U.S. Court of Appeals for the Fifth Circuit, 1969-70, and as a Staff Attorney in the U.S. Department of Labor, Office of the Solicitor, Appeals Section, 1970-72.

APPENDIX C: GLOSSARY OF ACRONYMS

ADA	Americans with Disabilities Act of 1990
ADEA	Age Discrimination in Employment Act of 1967
ADR	Alternative Dispute Resolution
AJ	Administrative Judge
CFO	Chief Financial Officer
DMS	Document Management System
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
EPA	Equal Pay Act of 1963
E-RACE	Eradicating Racism And Colorism from Employment
EXCEL	Examining Conflicts in Employment Laws
FEPA	Fair Employment Practice Agencies
FLSA	Fair Labor Standards Act
FOIA	Freedom of Information Act
FTE	Full-Time Equivalent
GSA	General Services Administration
IFMS	Integrated Financial Management System
IMS	Integrated Mission System
LEAD	Leadership for the Employment of Americans with Disabilities
MDI	Management Development Institute
NFI	New Freedom Initiative
NIH	National Institutes of Health
NUAM	National Universal Agreements to Mediate
OFO	Office of Federal Operations
OIG	Office of Inspector General
PART	Program Assessment Rating Tool
PMA	President's Management Agenda
TAP	Technical Assistance Program
TERO	Tribal Employment Rights Offices
UAM	Universal Agreements to Mediate

APPENDIX D: INTERNET LINKS

EEOC: www.eeoc.gov/

EEOC FY 2007 Performance and Accountability Report: http://www.eeoc.gov/abouteeoc/plan/index.html

EEOC Strategic Plan: www.eeoc.gov/abouteeoc/plan/strategic_plan_04to09.html

EEOC FY 2007 Performance Budget: http://www.eeoc.gov/abouteeoc/plan/2007budget/index.html

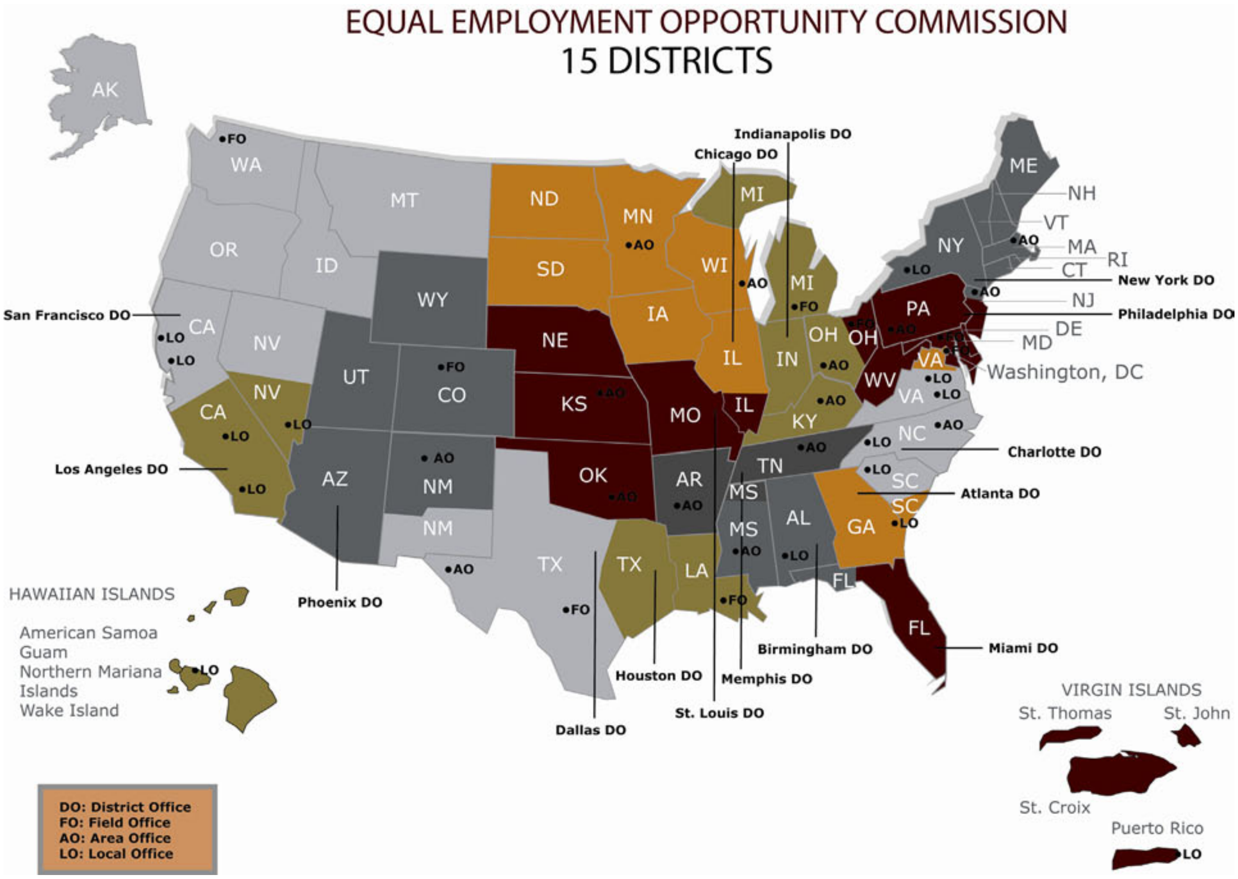
EEOC Annual Report on the Federal Workforce: http://www.eeoc.gov/federal/fsp2006/index.html

E-RACE Initiative: http://www.eeoc.gov/initiatives/e-race/index.html

Youth@Work Initiative: http://youth.eeoc.gov/

LEAD Initiative: www.eeoc.gov/initiatives/lead/index.html

APPENDIX E: EEOC FIELD OFFICES



ACKNOWLEDGMENTS

The EEOC's FY 2007 Performance and Accountability Report is a collaborative endeavor on the part of many EEOC employees and contractors. We would like to acknowledge and thank them for their hard work and commitment in successfully preparing this report and in supporting the audit of the financial statements.

WE WELCOME YOUR COMMENTS

Thank you for your interest in the EEOC's FY 2007 Performance and Accountability Report. We welcome your comments on how we can make this report more informative for our readers. Please send your comments to:

Executive Officer
Office of the Executive Secretariat
U.S. Equal Employment Opportunity Commission
1801 L Street, NW
Washington, DC 20507
(202) 663-4070

TTY (202) 663-4494

U.S. Equal Employment Opportunity Commission

1801 L Street, N.W., Washington, D.C. 20507

www.eeoc.gov