



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

Office of
Inspector General

November 14, 2011

MEMORANDUM

TO: Jacqueline Berrien
Chair

FROM: Milton A. Mayo, Jr.
Inspector General 

SUBJECT: Audit of the Equal Employment Opportunity Commission's Fiscal
Year 2011 Financial Statements (OIG Report No. 2011-02-FIN)

The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Harper, Rains, Knight and Company, P.A (HRK) to audit the financial statements of the U.S. Equal Employment Opportunity Commission (EEOC) for fiscal year 2011. 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 Accountability Office/President's Council on Integrity and Efficiency's *Financial Audit Manual*.

HRK issued an unqualified opinion on EEOC's FY 2011 financial statements. In its Report on Internal Control, HRK noted no areas involving internal control and its operation that were considered to be material weaknesses. In its Report on Compliance with Applicable Laws and Regulations, HRK noted no instances of non compliance with laws and regulations applicable to the agency.

In connection with the contract, OIG reviewed HRK'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. HRK is responsible for the attached auditor's report dated November 11, 2011, and the conclusions expressed in the report. However, OIG's review disclosed no instances where HRK did not comply, in all material respects, with generally accepted government auditing standards.

If you have any questions or require additional information, please contact Senior Auditor Willie Eggleston on extension 4372. Thank you for your cooperation and assistance.

cc: Claudia Withers
Jeffrey A. Smith
Raj Mohan
Nicholas Inzeo
John Schmelzer
Mary McIver
Lisa Williams
Kimberly Hancher
Peggy Mastroianni
Brett Brenner
Todd Cox



**HARPER, RAINS, KNIGHT
& COMPANY**

*Certified Public Accountants
A Professional Association*

Independent Auditors' Report

Inspector General
U.S. Equal Employment Opportunity Commission

We have audited the accompanying consolidated balance sheets of the U.S. Equal Employment Opportunity Commission (EEOC), as of September 30, 2011 and 2010, and the related consolidated statements of net cost and changes in net position, and combined statement of budgetary resources, for the years then ended. These financial statements are the responsibility of EEOC management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

Those 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 the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our audits of the EEOC for fiscal years 2011 and 2010, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations, and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) conclusions on Management's Discussion and Analysis and other supplementary information, and (3) auditors' and management's responsibilities.

Opinion on the Financial Statements

In our opinion, the financial statements including the accompanying notes present fairly, in all material respects, the financial position of EEOC as of September 30, 2011 and 2010, and its net cost of operations, 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.

Consideration of Internal Control

In planning and performing our audits, we considered EEOC's internal control over financial reporting and compliance. We did this in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04, as amended. We did not test all internal controls relevant to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. Providing an opinion on internal control was not the objective of our audit. Accordingly, we do not express an opinion on EEOC's internal control over financial reporting and compliance or on management's assertion on internal control included in Managements' Discussion and Analysis. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding of assets) and compliance.

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 deficiency in internal control, or a combination of 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. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.

We noted certain additional matters that we will report to management of EEOC in a separate letter.

Compliance with Applicable Laws and Regulations

The management of EEOC is responsible for complying with laws and regulations applicable to EEOC. As part of obtaining reasonable assurance about whether EEOC's financial statements are free of material misstatement, we performed tests of its compliance with selected provisions of laws and regulations including laws governing the use of budgetary authority and government-wide policies identified in OMB Bulletin No. 07-04, as amended, non-compliance with which could have a direct and material effect on the determination of consolidated and combined financial statements. Our tests disclosed no instances of noncompliance with laws and regulations which would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance.

We limited our tests of compliance to the provisions of laws and regulations referred to in the preceding paragraph. Providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express such an opinion.

Consistency of Other Information

Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the information and accordingly, we express no opinion on it.

Responsibilities

EEOC's management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act; and
- tested compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 07-04, as amended.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

Inspector General
U.S. Equal Employment Opportunity Commission - Continued

We did not test compliance with all laws and regulations applicable to EEOC. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the EEOC's financial statements for the fiscal year ended September 30, 2011. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with auditing standards generally accepted in the United States of America and audit guidance in OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

Our audits were conducted for the purpose of forming an opinion on the financial statements of EEOC taken as a whole. The other accompanying information included in this performance and accountability report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the U.S. Equal Employment Opportunity Commission, the U.S. Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Haupt, Ramm, Knight & Company, P.A.

November 11, 2011

Appendix A

Status of Management's Actions on Prior Year Recommendations

Recommendation	Status as of 11-11-2011
OHR should review and refine controls in place over time-and-attendance reporting to ensure that all employees report accurate and complete information to timekeepers. Additionally, OHR should 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.	Resolved
The CFO should work with the Director of RFD to ensure that documentation is maintained to support all transactions recorded in the general ledger.	Resolved