MANAGEMENT LETTER

EQUAL EMPLOYMENT AND
OPPURTUNITY COMMISSION

WASHINGTON, DC

SEPTEMBER 30, 2021

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January 18, 2022

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

In planning and performing our audit of the basic financial statements of the Equal Employment Opportunity Commission (EEOC) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered EEOC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EEOC's internal control. Accordingly, we do not express an opinion on the effectiveness of EEOC's internal control over financial reporting.

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

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

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

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

Undelivered Orders

It was determined that EEOC's balance in undelivered orders (UDOs) as of September 30, 2021, as calculated by EEOC personnel, included amounts that should have been de-obligated and not included in the year-end amount. This misstatement was caused by EEOC not consistently applying review procedures to the UDO balance. EEOC should ensure the existing UDO policy is followed and documentation of the process is reviewed by the CFO or their designee on a quarterly basis.

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

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Appendix A
Internal Control Deficiencies

I. Control Deficiencies

A. Internal Control Over Undelivered Orders

Condition: We tested a sample of 40 Undelivered Orders (UDO) and noted the following exceptions:

- Purchase order 45HR21P1586 was listed as an undelivered order and had been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2021. The balance of this exception is $3,024.45.

- Purchase order 45FPPHI20P01013 was listed as an undelivered order and had been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2021. The balance of this exception is $1,310.94.

- Purchase order 45ITCIO16520P2768 was listed as an undelivered order and had been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2021. The balance of this exception is $954.00.

- Purchase order 45HR21P0355 was listed as an undelivered order and had been fully delivered and should be de-obligated therefore no longer having a balance as of September 30, 2021. The balance of this exception is $544.06.

The actual misstatement was $5,833 and the projected misstatement is $102,184.

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

Criteria:

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

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

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

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

Conducting these reviews: Make the necessary adjustments and reporting the results assist EEOC with determining the accurate status of appropriation account balances. To comply with accounting standards, all Office Directors must certify and sign that obligation reviews have been completed and that balances are not over-stated or under-stated. o Because of the importance of the 1311 Review, each reviewer and certifying officer (Director) should make every effort to perform a complete review of the financial documents under the management control of the office. For every open item listed on the report they must be supported by a source document. The supporting documentation should be provided quickly upon request by FSSD or the external auditors. If there are no source documents to support the open item, the open balance for the item should be de-obligated."

Cause:

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

Effect:

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

Recommendation:

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

Managements' Response

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