



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.

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www.eeoc.gov/abouteeoc**



A MESSAGE FROM THE CHAIR

November 1, 2004



It is with distinct pleasure that I present the U.S. Equal Employment Opportunity Commission's (EEOC's) Performance and Accountability Report for fiscal year (FY) 2004. The report illustrates our efforts to be more customer-centered and results-oriented, as prescribed in the President's Management Agenda (PMA). I am especially pleased that we have received an unqualified opinion from independent auditors just one year after our first audit in FY 2003. I am confident that the financial data and performance information contained in this report are complete and accurate.

FY 2004 was an exceptional year for the Commission. On July 2, 2004, the nation celebrated the 40th anniversary of the Civil Rights Act of 1964. This Act is one of the most significant pieces of legislation in our history—one that addresses discrimination in voting, education, public accommodations, Federal programs and, of particular relevance to us, employment. Title VII of the Act, in making it illegal to discriminate on the basis of race, color, sex, religion, and national origin, also created the Commission itself to enforce this new Federal law.

Over the past 40 years much progress has been made, yet much work remains to fulfill the promise of equal employment opportunity for all. EEOC is proud of the pivotal role it has played over the years and remains ever vigilant in the pursuit of our mission for years to come. However, we find ourselves at a crossroads between a powerful past and an emerging future. The past 40 years have seen incredible changes: shifting demographics, globalization, and the explosion of technological innovations. The world and the workplace have changed dramatically during that time, and we are working to better position ourselves to address the needs of the 21st century workplace.

New times call for new strategies. No longer can the agency be viewed strictly as a workplace watchdog, but as a workplace partner as well. In FY 2004, we began implementing our new Strategic Plan for FYs 2004–2009. The Plan articulates our strategic vision for the future and charts the course of action for the Commission over the next few years. It emphasizes proficient resolution, proactive prevention, expansion of mediation, strategic enforcement and litigation, and EEOC as a model workplace—components of the agency's Five-Point Plan. We are particularly proud of our accomplishments in each of these areas during the fiscal year. The accomplishments are articulated throughout this report.

Notably, during the fiscal year, the Commission significantly reduced its inventory of complaints filed by Federal employees, processed cases more efficiently, and achieved noteworthy resolution rates and settlements. We settled a \$54 million dollar lawsuit with a leading Wall Street firm—the highest profile case challenging glass ceiling issues on Wall Street. We are breaking new ground in several areas of our work and continue to build upon past successes. We have expanded the use of mediation in America's workplaces through policy guidance, education, and programmatic initiatives such as Universal Agreements to Mediate (UAM) and a Referral Back Program. On the prevention side, we reached a substantial number of employers and employees through our outreach, education and technical assistance efforts. In fact, we launched a new initiative designed to reach the youth in America's workplaces, continued efforts to increase employment opportunities for individuals with disabilities through our participation in the President's New Freedom Initiative, created partnerships with business leaders through our Freedom To Compete Initiative, and expanded use of foreign language publications and media.



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In addition to these programmatic successes, we made a significant step toward changing the way we do business here at EEOC. On September 17, 2004, the Commission voted three-to-one to fund a two-year National Contact Center (NCC) pilot program to handle the agency's general information calls. Public access is essential to our mission. The public's 'real world' workplace issues and concerns are crucial to our enforcement of the Nation's employment discrimination laws, and the public needs to be able to reach us in 'real time.' The establishment of a National Contact Center will provide a centralized point of access to the Commission and will allow EEOC staff to focus more on mission-critical duties such as charge intake, investigations, mediation, litigation, and outreach to employees and employers.

EEOC is working to make a difference in the lives of those we serve and employ. From briefcases to lunch boxes, from hardhats to handhelds, we are a nation of workers facing opportunities and circumstances unlike any other. The past year was exceptional. We are steadily making progress on several fronts. This Performance and Accountability Report captures the progress made in FY 2004 and signals the work still to come. I welcome the opportunity to share with you both our challenges and accomplishments in working toward creating equality of opportunity for all who live and work in the United States.

Cari M. Dominguez
Chair
U.S. Equal Opportunity Commission



EEOC AT A GLANCE

EEOC was established in 1964 to enforce the employment provisions of civil rights legislation, and has jurisdiction over the Federal government's role as an employer, public and private employers, public and private employment agencies, and labor organizations. EEOC provides leadership to Federal departments and agencies with equal employment opportunity programs and provides assistance to departments and agencies in the implementation and completion of equal employment coordination responsibilities. Through our headquarters and field offices, we receive, review, and process charges of employment discrimination and approve the filing of civil rights discrimination suits under legislation, including

- 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.
- 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; 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 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.

Organization

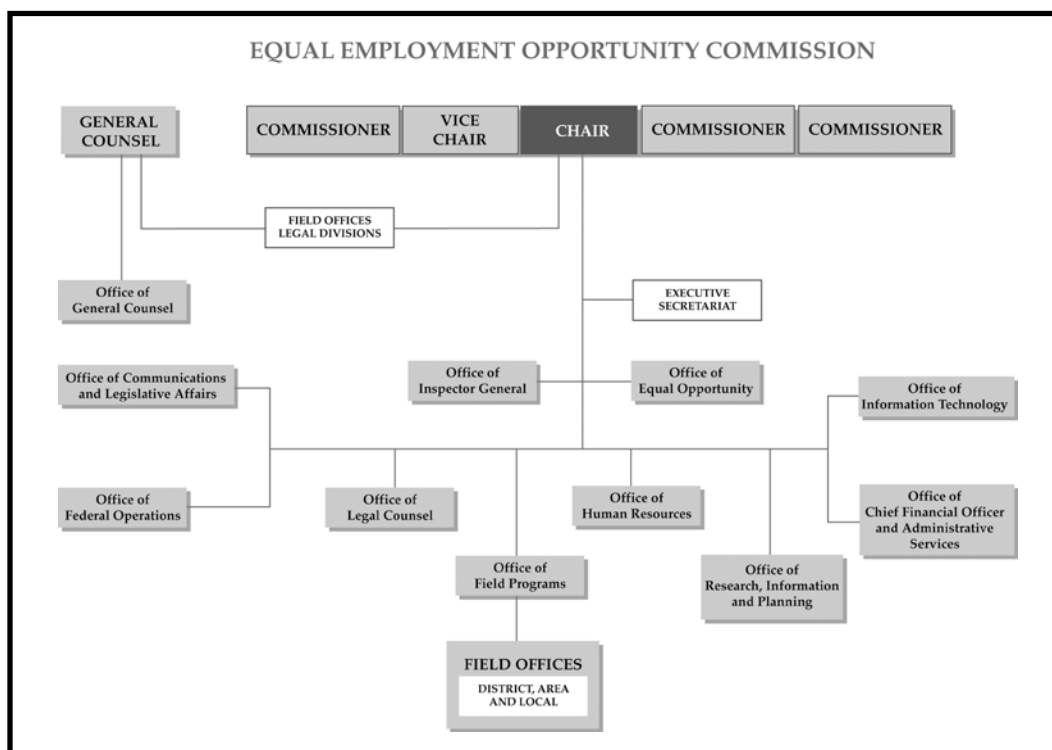
EEOC is a bipartisan Commission comprised of five presidentially appointed members, including the Chair, Vice Chair, and three Commissioners. The Chair is responsible for the administration and implementation of policy for the Commission and for the financial management and organizational development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

Through its Office of Federal Operations, 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.



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Through our headquarters Office of Field Programs, the Office of General Counsel and 51 field offices, 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 fulfilling a wide range of objectives that 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 EEOC and conduct outreach and technical assistance programs.



Additionally, through the Office of Field Program's Office of State and Local Programs, EEOC maintains worksharing agreements and a contract services program with more than 90 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 regulation we enforce. The Office of Legal Counsel also includes an external litigation and advice division and a Freedom of Information Act unit.

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. Additionally, 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS



Introduction

On July 2, 2004, the Nation marked the 40th anniversary of the passage and signing into law of the Civil Rights Act of 1964. The Act was the subject of the longest continuous debate in the annals of the U.S. Senate. What emerged is one of the most significant pieces of legislation in our history—one that addresses discrimination in voting, education, public accommodations, Federal programs and, of particular relevance to EEOC, employment. Created by Title VII of the Civil Rights Act, EEOC opened its doors one year after passage of the Act. Since that time, the Commission has played the pivotal and preeminent role in pursuing the enforcement of Title VII and related civil rights employment laws, and the employees of the Commission, past and present, have been vital to ensuring that its goals are met. Through their actions, the Commission has rendered an invaluable service to the Nation. As we reflect upon the impact of Title VII, we note the significant progress that has been made since its passage and celebrate the positive difference that it has made for all Americans. However, we also acknowledge that there are still many miles to travel on the road to ensuring equal employment opportunity for all.

EEOC continues to track the trends and issues affecting America's workplaces. These trends and issues are evolving. In EEOC's early days, the agency dealt primarily with issues that were related to race and hiring, gender and hiring—getting a foot in the door. Later, the glass ceiling was at the forefront—that invisible barrier that seemed to prevent women and people of color from rising through the ranks. While these issues have not gone away, no longer are they the sole focus of our mission. We are paying very close attention to emerging trends. For example:

- We see an increase in acts of sexual harassment committed against teenagers—usually, but not always, girls—working in fast food and retail establishments where typically turnover is high, training is minimal, and the managers are sometimes teens themselves.
- We are dealing more frequently with accent discrimination.
- Over the past decade, charges of pregnancy discrimination have increased, soaring 30% to totals far exceeding 4,000 each year.
- We have seen an increase in retaliation charges, citing adverse action taken against employees by employers for complaining about discriminatory treatment, cooperating with an EEOC investigation, or filing formal charges.

We are challenged to keep pace with the changes in the workplace and emerging issues and trends while, at the same time, we are working proactively to influence and help shape the workplace of the future. We use workplace trends, shifting demographics, and changing workforce dynamics to approach our work more strategically. To ensure that our enforcement and prevention efforts address the needs of today's workplace, we track workplace issues and trends, conduct research studies to support and inform our work, issue policy guidance to protect workers' rights and facilitate compliance, promulgate rules and regulations to clarify the law and ensure compliance, and collaborate with a broad range of stakeholder groups. All of these activities are underpinnings of the core work of the agency and assist in meeting the challenges we face in carrying out our mission. Specific regulatory and policy guidance activities in FY 2004 include:

Shattering the Glass Ceiling

The New York District Office settled a Title VII lawsuit against Morgan Stanley, a Wall Street investment banking and brokerage firm, alleging that the defendant discriminated against a class of females in the firm's Institutional Equity Division with respect to promotions, wages, and terms and conditions of employment. This high profile lawsuit was resolved for \$54 million and resulted in significant changes in the defendant's employment practices, which will increase opportunities for women.

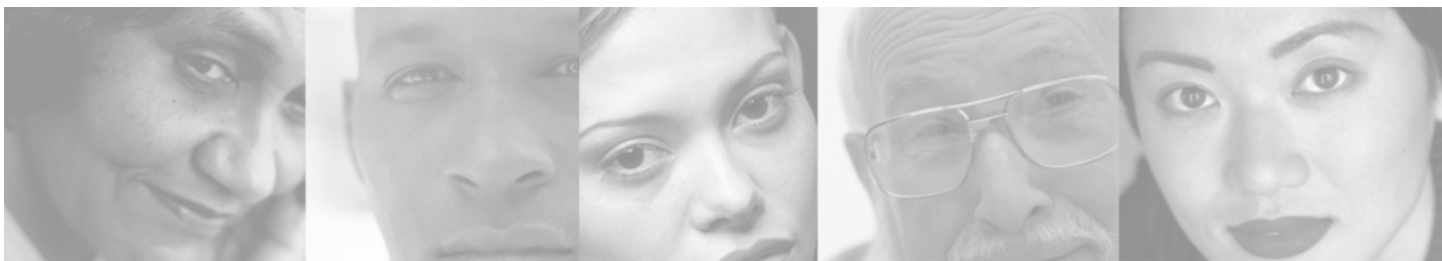


- **No Fear Act:** A regulation implementing Title III of the No Fear Act was published as the final rule with a request for comments on January 26, 2004, 69 FR 3483. Title III of the No Fear Act requires each agency to post on its public website certain summary statistical data concerning EEO complaints filed with the agency. The interim final rule repeats the categories of summary statistics that must be posted; defines some of the terms used in the statute; and generally specifies the time, form, and manner of the posting obligation.
- **National Origin Guidance:** Responding to demographic changes, the Commission released updated guidelines on national origin discrimination, covering a range of issues such as customer preference, security requirements, accent discrimination, English fluency, and harassment.
- **EEO-1 Revisions:** On June 11, 2003, the Commission published a revised EEO-1 Report (also known as the Employer Information Report) for public comment. This report provides a snapshot of an employer's workforce, broken down by gender, race, and ethnicity. On October 29, 2003, the Commission held a public hearing, at which representatives of employer and civil rights groups testified.
- **ADEA Exemption for Retiree Health Benefits:** On April 22, 2004, the Commission voted to approve an exemption to the ADEA, which is intended to 1) preserve employer-sponsored retiree health benefits for millions of older Americans, and 2) make clear that the Commission supports the efforts of employers to provide this important benefit to their retirees.
- **Uniform Guidelines on Employee Selection Procedures—Applicant Definition:** With increasing use of Internet recruitment and web-based resume posting, one of EEOC's primary regulatory goals continues to be the question of what types of EEO records employers need to maintain as part of their online recruitment practices. In conjunction with our sister Uniform Guidelines on Employee Selection Procedures (UGESP) agencies [the Departments of Labor and Justice and the Office of Personnel Management (OPM)], we published proposed questions and answers in the March 4, 2004, *Federal Register*, defining "applicant" for purposes of Internet and related electronic technologies for recruitment and selection.

Fighting Sexual Harassment

The Philadelphia District Office received a favorable jury verdict in its lawsuit against Federal Express alleging that the Charging Party, a female tractor-trailer driver, was sexually harassed and was subjected to retaliatory terms and conditions of employment, including intimidation and denial of a full-time position, for complaining of harassment. The Charging Party intervened in the lawsuit with additional claims. The jury awarded \$3.2 million in monetary damages to the Charging Party.

Consistent with our goal to meet the needs of the 21st century workplace, we implemented a new five-year strategic plan in FY 2004. The new plan articulates new strategies and builds upon past successes. It contains three overarching strategic objectives that encompass the key principles of our mission to provide *Justice and Opportunity* and encourage an *Inclusive Workplace* and to support these principles by fostering *Organizational Excellence*. For each strategic objective, the plan integrates and focuses on the elements of our Five-Point Plan, which is described in the following table. (Our strategic plan is available on the EEOC website at www.eeoc.gov/abouteeoc/plan/strategic_plan_04to09.html).



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Strategic Objectives	Five-Point Plan
Justice and Opportunity	Proficient Resolution focuses on the resolution of workplace disputes through charge handling practices that are timely and cost effective.
	Promotion and Expansion of Mediation/Alternative Dispute Resolution (ADR) encourages the use of mediation to voluntarily resolve disputes quickly, amicably and cost-effectively.
	Strategic Enforcement and Litigation draws on research, coordinated enforcement and selective litigation to secure meaningful impact on employment discrimination issues.
Inclusive Workplace	Proactive Prevention aims to combat employment discrimination by preventing it from happening in the first instance.
Organizational Excellence	EEOC as a Model Workplace emphasizes our commitment to “practicing what we preach.” It also captures our efforts to “get to green” in each area of the President’s Management Agenda (PMA).

This framework provides the foundation for our Strategic Plan. The Plan contains 24 long-term performance goals to measure our effect on creating fair and inclusive workplaces across America. These measures of success are more results-oriented and represent a major step forward in how we view, manage, and carry out the important work of EEOC. Our progress in achieving the goals of these measures is summarized below and discussed later in this section and in the performance section of this report.

EEOC FY 2004 Performance Scorecard			
Total Measures	Targets Met	Targets Partially Met ¹	Targets Not Met
24	14	6	4
¹ Target Partially Met: A rating assigned to target results where 1) at least half of the activities targeted for completion were completed (Measures 1.3.4, 2.1.1, and 3.1.3), 2) the target is a two-year target (Measures 3.1.2 and 3.1.8), or 3) we were unable to assess results because data is not yet available (Measure 1.2.4).			

Also, included in this section are financial highlights, which focus on the five financial statements prepared by EEOC: the Consolidated Balance Sheet and Consolidated Statements of Net Cost of Operations, Changes in Net Position and Financing, and the Combined Statement of Budgetary Resources.

The Year in Highlights: Repositioning the Agency for the 21st Century

Technological advances, shifting demographics, changes in the business environment, and the demand for improved operational efficiencies are factors that have prompted the Commission to take a fresh look at its structure and service delivery mechanisms. More than 80% of the Commission’s budget is directed to fixed expenses such as salaries and rent. Its organizational structure has not been significantly modified in more than 25 years. In addition, the PMA requires each Federal agency to conduct an internal review and develop a five-year restructuring plan. Consequently, in March 2002, we commissioned the National Academy of Public Administration (NAPA) to conduct an objective, independent study of our structure and program delivery systems.



In February 2003, NAPA issued its report, *Equal Employment Opportunity Commission: Organizing for the Future*. The report was made available to all EEOC stakeholders and staff for review and comments. To obtain further input into the repositioning process, all employees were encouraged to make their recommendations for improving the efficiency of the agency. Additionally, the Commission held a public meeting on September 8, 2003, to gather more input from government reform experts, stakeholder organizations, and EEOC union and management leaders. In early 2004, we convened a work group of field and headquarters employees to provide discussion and recommendations on issues including criteria to be considered in determining field office structure.

Fighting Race Discrimination

The Denver District Office settled a lawsuit against Milgard Manufacturing, Inc., a producer of windows and sliding doors, alleging that the defendant engaged in racially discriminatory practices by not hiring black applicants. The human resources assistant who complained about the discriminatory practices was also harassed, criticized and forced to resign her employment in retaliation for her complaints. Total monetary relief of \$3.37 million includes relief to the class, compensation for a consent decree monitor, and relief to the human resources assistant.

Based upon all the recommendations received from NAPA, EEOC employees, and stakeholders, as well as detailed analyses of workload and demographic data, including population and civilian job growth, minority population, and immigration patterns, we are developing a five-year comprehensive restructuring plan that will be subject to Commission vote.

National Contact Center

A major component of our repositioning effort is the establishment of an NCC. The NCC will provide for a centralized point of access to the Commission and allow EEOC staff to focus on mission-critical duties such as charge intake, investigations, mediation, litigation, and outreach to employers and employees. The NCC will respond to public inquiries for general information through two toll-free numbers, one for voice and one for TTY (used by individuals with hearing and speech impairments), as well as via email. The NCC will be staffed by customer service representatives between 8:00 a.m. and 8:00 p.m. Eastern Time. Callers will be able to access an automated system with answers to frequently asked questions on a 24-hour basis. The NCC will provide customer support in multiple languages.

On November 6, 2003, EEOC Commissioners voted unanimously to approve a two-year NCC pilot project. We issued a formal solicitation notice on March 8, 2004. Because our acquisition policy requires approval by the Commission for the obligation of funds for contracts of \$100,000 or more, EEOC staff evaluated bids and submitted a contract award recommendation to the Commissioners on August 26, 2004. The Commissioners approved the staff recommendation on September 17, 2004. The NCC is scheduled to begin operation in mid-FY 2005.

Strategic Objective 1: Justice and Opportunity

Since 1965, EEOC has been charged with enforcing the Nation's civil rights employment laws, which protect individuals from discrimination in the workplace. Notwithstanding the changing legal and business landscapes, we continue to focus on our fundamental responsibility—seeking to correct the wrongs of employment discrimination and bringing justice and equal opportunity to the workplace.

To have a meaningful impact on discrimination, we must approach our enforcement activities more strategically, taking workplace trends, changing workforce dynamics, and shifting demographics into consideration. We must employ our resources in ways that will achieve maximum results, while still protecting



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the rights of the individual. Through focused and strategic enforcement efforts, we seek to broadly influence policies and practices in the American workplace and to bring justice and opportunity to all.

Through our Justice and Opportunity Strategic Objective, we strive to remedy and deter unlawful discrimination and increase public confidence in the fair and prompt resolution of employment discrimination disputes. These broad outcomes focus our measures and strategies on three points of our Five-Point Plan: Proficient Resolution, Promoting and Expanding Mediation/ADR and Strategic Enforcement and Litigation.

Justice and Opportunity Performance Scorecard			
Total FY 2004 Investment: \$324.9 million			
Total Measures	Targets Met	Targets Partially Met	Targets Not Met
13	9	2	2

Performance Highlights

Private Sector Enforcement Program

Timeliness and quality are key measures of our success in processing private sector charges. Measure 1.1.1 tracks our progress in resolving charges in 180 days or fewer. In FY 2004, we met our target to resolve 65% of charges within this time frame. We received 79,432 private sector charges, 2% less than the 81,293 received in FY 2003. Through administrative resolutions and mediation, we obtained more than \$364.1 million in monetary benefits for victims of employment discrimination. Other achievements in the private sector program include:

- Maintained a pending inventory of charges of 29,966 compared with the FY 2003 figure of 29,368.
- Achieved 85,259 resolutions, with a merit factor resolution rate of 19.5%. Merit factor resolutions include mediation and other settlements, withdrawals with benefits and findings, which, if not settled, are considered for litigation.
- The average charge processing time was also 165 days, up slightly from 160 days in FY 2003. The increase was due to the fact that we resolved a significant number of difficult charges that had been in our charge inventory. If we exclude those older charges, processing time decreased to 145 days.

Mediation

Mediation is the centerpiece of our Five-Point Plan. It is an important tool for resolving private sector charges quickly, to the benefit of both employees and employers. The program has been very successful and has contributed to our ability over the past few years to reduce our inventory and resolve more charges in 180 days or fewer; meeting our earlier timeliness measure.

Since the private sector mediation program was launched in the early 1990s, we have resolved more than 43,192 charges through our private sector mediation program—the largest workplace mediation program in the country. Our program is both voluntary and confidential. Its goal is to encourage the earliest possible amicable resolution of charges by the parties themselves with the help of a neutral mediator.

Taking on Age Discrimination

The Philadelphia District Office settled an ADEA lawsuit against Honeywell International, a global diversified technology company, alleging that the defendant discharged or demoted a class of sales managers and representatives during a company-wide reorganization because of age. The class will receive \$2.15 million in monetary relief.



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In FY 2004, EEOC's National Mediation Program secured 8,086 resolutions—the highest number ever—and an increase over the previous year's 7,990. We secured more than \$112.4 million in benefits for complainants from mediation resolutions.

Two measures under Promote and Expand Mediation/ADR (Measures 1.2.2, 1.2.3) highlight important aspects of our private sector mediation program—employer participation and the confidence that respondents and charging parties have in the program. Although participants almost uniformly view our mediation program favorably (see Measure 1.2.3.), the percentage of employers agreeing to mediate is considerably less than the percentage of charging parties agreeing to mediate. Beginning in FY 2004, we implemented a new performance measure, Measure 1.2.2, to increase the number of charges in which employers agree to mediate. Through expanded outreach and increased publicity efforts about our mediation program, we aim to increase employers' participation.

We have continued to expand our use of Universal Agreements to Mediate (UAMs) with employers. UAMs save time and effort for employers and for EEOC. During FY 2004, we entered into 637 local agreements between employers and our District Offices. At the national level, 71 large corporations, including several Fortune 500 companies, have agreed to enter into regional or national agreements to mediate (NUAMs) charges filed with EEOC at any of our district offices across the country.

In addition, in 2003, we introduced the "Referral Back" Initiative. When charges are filed against the participating employer, EEOC will suspend charge processing for 60 days so that the parties can voluntarily participate in the employer-provided dispute resolution program. In FY 2004, we continued our efforts to expand this pilot to include more of our field offices.

Another expansion of our mediation program involves contracting with state and local FEPAs to mediate charges on our behalf. FY 2003 was the first time that state and local agencies were allowed to compete for mediation services. We continued with this pilot program in 2004, which involved nine participating FEPAs.

At the national level, EEOC provided outreach and training to national corporations both directly and through employer groups such as the Equal Employment Advisory Council and the Society for Human Resource Management through its monthly cyber chats. At the local level, our District Offices conducted substantial outreach to small and mid-sized businesses to expand employer participation in our mediation program.

Litigation

Our enforcement efforts also rely on a strong litigation program. Effective litigation provides relief to many victims of discrimination, who may have no other recourse, and it encourages employers to settle cases earlier in EEOC's administrative enforcement process. Also, publicity for our high impact cases and other litigation increases employer compliance with the statutes we enforce.

A previous study of our litigation demonstrated that we achieved a 90% rate of success in the past with our litigation. We established a new measure, Measure 1.3.3 to maintain this high level of success. Throughout the entire period from FY 2004–2009, we expect to maintain at least the 90% level, using a six-year rolling average of successful lawsuits to account for minor year-to-year fluctuations that can result from a limited

EEOC Mediation Program

On December 2, 2003, the Commission held a meeting to promote greater employer understanding of and participation in the agency's acclaimed mediation program. Representatives of corporate America, the private bar, and professionals in dispute resolution and human resources all described the many workplace benefits of mediation and EEOC's program. Those attending the meeting cited the benefits of increased productivity, enhanced communications, positive employee relations, cost reductions, faster settlements of disputes, and avoidance of future disputes and claims.



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database of observations. For FY 2004, we met our target and achieved a success rate of 92.2% over a six-year period from FY 1999–2004.

EEOC field legal units filed 378 new lawsuits on the merits and 36 subpoena enforcement and other actions during FY 2004. Legal staff resolved 344 lawsuits for a monetary recovery of more than \$160 million dollars. Of the 344 resolutions, there were 262 Title VII settlements, 38 ADA settlements, 27 ADEA settlements, and 17 concurrent settlements. We also resolved 28 subpoena enforcement and other actions during the year. In terms of dollars recovered in direct and intervention lawsuits by statute, EEOC recovered \$128,560,844 in Title VII settlements, \$5,211,462 in ADEA settlements, \$2,635,955 in ADA settlements, and \$27,328,000 in concurrent settlements. In addition, the number of cases on our docket involving multiple aggrieved parties continued to rise, reaching 224 cases (or 42.3% of cases) in FY 2004.

Improving the Workplace

The Miami District Office settled a Title VII lawsuit against Airguide Corporation, a heating/air conditioner parts manufacturer, alleging that female employees were sexually harassed and disciplined and discharged in retaliation for complaining of the harassment, and that male employees were disciplined, harassed, suspended and discharged because they provided information in support of the women's sexual harassment claims or filed EEOC charges on their own behalf. The seven affected individuals will share \$1 million in monetary relief.

Fair Employment Practices Agencies (FEPAs)

FEPA charge receipts decreased by 8%, from 61,998 in FY 2003 to 57,318 in FY 2004. During the year, FEPAs transferred a net total of 4,692 charges into our workload. FEPAs resolved 56,882 charges, 8% less than during the previous year. The pending inventory decreased to 57,808 from 62,774 in FY 2003.

Federal Sector Enforcement Program

Like our Private Sector Program, timeliness and quality are important measures of success in serving the Federal sector community. We have made considerable gains in processing complaints filed against Federal agencies. In FY 2004, the Commission received 9,027 requests for hearings and 7,831 appeals. Measures 1.1.2 and 1.1.3 track our progress in the timely resolution of hearings and appeals. For FY 2004, our target was to resolve 35% of Federal sector hearings within 180 days. While we fell short of meeting this measure by only a few percentage points, we exceeded the target for Federal sector appeals, resolving 51.8% of cases received in FY 2004 within 180 days. Other accomplishments in processing the Federal sector caseload include:

- Reduced the hearings processing time by 16%—from 421 days in FY 2003 to 355 days in FY 2004.
- Reduced the hearings inventory by 29%—from 8,467 cases in FY 2003 to 5,975 cases in FY 2004.
- Obtained \$45.5 million in monetary benefits for complainants awarded by Administrative Judges in hearings; obtained a record \$22 million for complainants by securing compliance with appellate orders.
- Reduced the average processing time of appellate case closures by 27%—from 285 days in FY 2003 to 207 days in FY 2004. The average processing time for appellate closures in FY 2004 marks a 56% reduction from the 467 days average processing time in FY 2002.
- Reduced the appellate inventory by 5% since FY 2003 to 3,634—a 70% drop from the appellate inventory high of 11,918 in January 2000.

Federal Sector Reform

We continue to pursue efforts to reform the Federal sector program to better serve the Federal sector community. Complainants and Federal agencies have long voiced concerns that the process is much too slow, too expensive and inherently unfair. In November 2002, we convened a Commission meeting to hear



testimony from a cross-section of stakeholders concerning the Federal sector EEO complaint processing system. The meeting provided a forum for gathering facts, identifying issues, and considering recommendations for reform. In addition to the Commission meeting, we conducted a series of smaller roundtable sessions with various stakeholder groups and have received numerous written comments. The feedback and comments received from our stakeholders continue to inform our efforts to improve the Federal sector process.

Under our responsibilities as “Chief EEO Officer” for the Executive Branch, EEOC used a new approach in creating a barrier-free, level playing field throughout the Federal government, articulated in the new Management Directive (MD) 715. Issued October 1, 2003, MD 715 provides much needed policy guidance to Federal agencies regarding their obligations under Section 717 of Title VII and Section 501 of the Rehabilitation Act, replacing existing MDs 712, 713, and 714. The new directive emphasizes the identification and elimination of unnecessary barriers to equality of opportunity and focuses on the design and implementation of agency programs. With this new approach, the Commission will be able to provide valuable assistance to agencies in the design of their programs to advance equal employment opportunity. We also delivered training programs and technical assistance to assist agencies in implementing MD 715.

EEOC has also incorporated relationship management techniques to better establish a customer-centered organization that can deliver relevant information, better service, and agency-specific solutions. The Commission also partnered with several Federal agencies this past year to provide them individualized EEO training and technical assistance.

With improved data analyses resulting from faster and more accurate web-based data submissions from Federal agencies (Form 462), the Commission issued more detailed annual reports on the Federal workforce, which included agency-specific profiles and tips for program improvements. The latest report can be found at www.eeoc.gov/Federal/fsp2003/index.html.

Strategic Objective 2: Inclusive Workplace

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 an inclusive work culture—where all workers are judged on their talents and abilities, without regard to race, ethnicity, color, religion, sex, age, or disability.

A strong prevention program helps employers comply with the law and breaks down barriers to employment opportunities. Through outreach and education, we seek to prevent unlawful exclusionary practices from taking root. Through new and innovative proactive approaches, we believe we are helping move toward sound workplace practices that foster a level playing field and allow the best talent to emerge. Encouraging inclusive, equal opportunity workplaces is a powerful prevention strategy.

For our Inclusive Workplace Strategic Objective, we strive to achieve increased voluntary compliance with the Federal equal employment laws and increased individual awareness and understanding of rights and responsibilities. With these broad goals, our measures and strategies focus on one point of our Five-Point Plan: Proactive Prevention.

EXCEL

EEOC held its annual Federal sector EXCEL Program for government employees, managers, and union officials from August 30 to September 2, 2004 in Las Vegas, Nevada. EXCEL is the premier Federal sector law conference of its kind and provides an interactive educational forum for examining contemporary leadership, effective and low-cost dispute resolution approaches, and other EEO and merit systems issues and trends nationwide. Feedback from participants indicated that the conference was a huge success—“the best ever.”



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Inclusive Workplace Performance Scorecard			
Total FY 2004 Investment: \$17.8 million			
Total Measures	Targets Met	Targets Partially Met	Targets Not Met
3	1	1	1

Performance Highlights

We have three measures for our Inclusive Workplace Strategic Objective. Measure 2.1.1 affords us an opportunity to determine the percentage of employer representatives who improve their workplaces as a result of their participation in one of our outreach or technical assistance programs. In FY 2004, we began to prepare for conducting our surveys to establish a baseline, target values, and a final goal for FY 2009 to measure our results for these types of outreach and training programs. In the meantime, our outreach and technical assistance programs continue to reach record numbers of participants.

The Commission, including both field and headquarters offices, participated in 5,340 educational, training, and outreach events that reached 351,874 persons. This is a significant increase in the number of events over the same period in FY 2003 (4,692). Specific events included 1,952 oral presentations; 806 training sessions, including 557 Revolving Fund events; 360 stakeholder input meetings; and 337 expanded presence activities that provided individual counseling and assistance to under served constituents. These four major types of educational events reached 162,203 persons. Compared to FY 2003, we increased the number of stakeholder input meetings by 38%, the number of oral presentations by 17%, and the number of expanded presence activities by 13%.

Offices also distributed information materials on EEO laws and represented the Commission at 804 other public events with audiences of 130,637 people. These events included information booths at job fairs, conventions, cultural expositions and conferences, and participation in many community organization meetings. Offices distributed informational materials to another 57,395 people. They also made 717 media presentations—including radio and TV interviews, talk shows and press conferences, which provided substantive EEO information to many thousands of stakeholders.

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 resource 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. As such, EEOC District Offices

SBA Gives EEOC an "A"

The Missouri Small Business Direct Contact Program, developed by our St. Louis District Office, contributed to the EEOC receiving an "A" rating from the Small Business Administration (SBA) National Ombudsman. Citing an example of how EEOC's small business program breaks down barriers between employers and the Federal government, the SBA National Ombudsman recounted a visit by the St. Louis District Office to a small employer in Springfield, MO, which subsequently sought EEOC's assistance in resolving a workplace conflict.

"The manager called the District's Small Business Liaison to seek advice on an issue of harassment occurring between two employees at his place of business. He told the liaison he would not have made this call last year, but because of EEOC's willingness to make a personal visit to his business to advise him about the agency's compliance assistance programs, he felt more comfortable calling a government office for advice. He stated that since EEOC had taken the first step, he was not so nervous about asking for help."



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conducted 561 no-cost outreach events directed toward small businesses in FY 2004, including several events under the President's New Freedom Initiative (NFI). Events included oral presentations, training, and stakeholder input meetings, reaching 17,538 small business representatives. An additional 3,298 small business representatives attended Revolving Fund events. Mediation, EEOC overview, sexual harassment, charge processing, Title VII and the ADA were the most popular topics for small business audiences.

In a report issued in FY 2004, *Report to Congress, Fiscal Year 2003*, the Small Business Administration's (SBA's) National Ombudsman commended EEOC, awarding the agency high marks for its compliance assistance to small business. Of 50 Federal agencies rated in this report, EEOC was one of only four agencies receiving a rating of A, the highest rating awarded. We are proud of this recognition and continue to enhance our efforts to provide small businesses with the information they need to comply with Federal EEO laws and implement sound workplace practices.

ADR Outreach

As part of our Five-Point Plan to expand ADR, offices conducted 617 outreach events directed toward the private-sector employer community to promote our mediation program in FY 2004. Events included workshops, mock mediations, and panel discussions with employer representatives as well as representatives from the plaintiff and defense bar. In addition, an overview of charge processing procedures, including a discussion of our ADR program, was the topic at over 1,029 events.

During FY 2004, we also developed new promotional materials, including a brochure and bookmark that describe the benefits of mediation to the employer community. The materials were distributed to all field offices to be used in outreach and education programs. In addition, the bookmark will be enclosed in the service of charge packages for all charges eligible for mediation.

Measure 2.1.3, which aims to increase the percentage of individuals demonstrating an awareness of their equal employment opportunity rights and responsibilities, is focused on the broad implications of our prevention efforts. In FY 2004, we took steps to begin surveying individual awareness of EEO rights and responsibilities. To support our proactive prevention goals, we have several new and ongoing initiatives to provide people with the information they need to know about their rights and responsibilities under the equal employment opportunity laws we enforce.

Freedom to Compete Initiative

In 2002, EEOC launched the Freedom to Compete Initiative, a national outreach, education, and coalition-building effort designed to complement our enforcement and litigation activities. Freedom to Compete seeks to build partnerships and strategic alliances with groups and organizations not traditionally engaged with the agency, with the ultimate goal of promoting equal employment opportunity and removing workplace barriers.

To promote the initiative, we hosted a series of meetings with line executives and organizational leaders nationwide.

Outreach efforts also included a number of roundtable discussions with CEOs, public service announcements, media presentations, identification of best practices and a more user-friendly and useful website. Since launching the initiative, we have established 23 strategic alliances with new partners, including the Executive Leadership Council, Financial Women's Association of New York, Hispanic Association for Corporate Responsibility, and the Minority Corporate Counsel Association. We intend to issue a best

Battling Sex Discrimination

The Milwaukee District Office received a favorable jury verdict in its suit against Dial Corporation alleging that the defendant engaged in a pattern or practice of sex discrimination by requiring applicants for production operator positions in a food processing plant to pass a physical strength test that disproportionately excluded women from the positions. The court will award back pay to class members following its decision on EEOC's claim that the test also had a disparate impact on women.



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practices report based on this initiative.

We have also published our final notification in the *Federal Register*, announcing the establishment of an annual EEOC Freedom to Compete award to recognize individuals and organizations that have demonstrated exemplary efforts in promoting free and unfettered access to opportunities in the workplace. We plan to present the first awards in FY 2005.

The New Freedom Initiative

In 2001, President Bush launched the New Freedom Initiative (NFI), a comprehensive strategy to achieve full integration of individuals with disabilities into all aspects of the Nation's social and economic life. As the agency responsible for enforcing the employment provisions of the ADA, EEOC is actively involved in advancing the initiative. NFI activities include 72 free workshops provided to small businesses on the requirements of the ADA; the publication of a fact sheet on telework as a reasonable accommodation under the ADA; and the publication of *The Americans with Disabilities Act: A Primer for Small Business* in both English and Spanish. Over 30,000 copies of the publication have been provided free of charge, and more than 70,000 people accessed the publication online. During FY 2004, we also issued a fact sheet for job applicants and began to issue a series of question-and-answer documents that explain how the ADA applies to individuals with particular disabilities in the workplace. To date, we have published documents on diabetes, epilepsy, and intellectual disabilities.



To further advance this initiative, in the beginning of FY 2004, we pioneered a series of Federal-State partnerships. Under the States' Best Practices Project, we partnered with states to review, among other things, recruitment, hiring, and reasonable accommodations programs affecting the employment of individuals with disabilities in State government. The project will highlight state best practices, share these practices nationwide through written reports, and offer participating States technical assistance to promote voluntary compliance with the ADA. In early FY 2005, we will issue an interim report highlighting best practices in four States—Florida, Maryland, Vermont, and Washington. The states of Kansas, Missouri, New Hampshire, New Mexico, North Carolina, Texas, and Utah have also agreed to participate in the project. We will issue a final report covering all participating states in early FY 2006.



Youth@Work Initiative

In September 2004, we announced our Youth@Work Initiative to promote equal employment opportunity for our Nation's next generation of workers. This innovative national outreach and education campaign is designed to educate young workers about their workplace rights and responsibilities. The initiative has three main components.



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The Youth@Work website (<http://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!” This section 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.

During FY 2004 and continuing into FY 2005, EEOC Commissioners and field office staff will host free outreach events for high school students, youth organizations, and small businesses that employ young workers. 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.

Through developing partnerships with business leaders, human resource groups, and industry trade associations, we plan to host a series of forums and roundtable discussions in FY 2005 to further explore the workplace trends and challenges affecting young workers. Our Youth@Work partners will play a vital role in increasing public awareness about the Federal anti-discrimination laws by putting a Youth@Work link on their websites, publishing articles on the initiative in their newsletters, discussing the initiative with their members or employees, or participating in Youth@Work events throughout the country.

EEOC Special Reports

As part of the emphasis on proactive prevention in our Five-Point Plan, we published several reports examining demographic trends, economic indicators, employer practices and industry literature. The primary contribution of these reports is the ability to raise important questions about discrimination and alert the public, and especially the business community, about these issues. The FY 2004 reports, as well as previous reports, are available on our website at www.eeoc.gov/stats/reports/index.html.

- ***Diversity in Law Firms:*** The report was able to examine the status of minorities and women as legal professionals using EEO-1 data and to focus on their employment as partners by creating a supplemental data set using an external source.
- ***High End Department Stores, Their Access to and Use of Diverse Labor Markets:*** The report examined the labor market access to and employment of minority sales workers.
- ***Retail Distribution Centers: How New Business Processes Impact Minority Labor Markets:*** The report examined how the location of modern distribution centers with easy access to highways, inexpensive land, favorable leases and low tax rates could negatively impact these employers’ access to a diverse workforce.
- ***Diversity in the Media:*** The report provided descriptive EEO-1 based statistics about three media industry groups: publishing, broadcasting and cable.

T.E.A.C.H. for Tomorrow

EEOC’s New York District Office developed and implemented a program for freshman students, through the “T.E.A.C.H.” program, designed to provide information on harassment and discrimination to students entering the workforce for the first time. This is part of an effort to reach university undergraduates, who are preparing for management roles, about workplace discrimination. Many of the students in the program at Columbia University were working on their first jobs and raised current workplace problems with our staff.



EEOC.gov

We redesigned and upgraded our website to provide more information and make it easier to navigate. Visits to the EEOC website have increased dramatically over the past three years. The number of visits from the public now averages more than 350,000 website users each month. During the past year, we added outreach materials in Spanish, Arabic, Russian, Vietnamese, Korean and Haitian-Creole to the website. A Spanish version will be launched in the first quarter of FY 2005.

Strategic Objective 3: Organizational Excellence

Our goal is to ensure that the principles and standards we promote in the workplace are readily apparent in our own operations. We work to achieve this goal through occupational and leadership development, performance management programs, the use of enabling technologies, and a flexible and adaptable work environment conducive to teamwork. We are building an organization committed to providing opportunities for EEOC employees to grow professionally. We are also developing programs and practices worthy of emulation.

The PMA provides the roadmap for this final element of the Chair's Five-Point Plan. The PMA addresses important enhancements to internal agency operations and interaction with the public. The integration of the Five-Point Plan and other Administration and agency initiatives will help build a model workplace where we can effectively and efficiently accomplish two broad outcomes in an environment conducive to good employment practices: improve organizational performance and efficiency and instill a climate of respect, service, and responsiveness.

Another Step Forward

The Chicago District Office settled a suit against Carl Buddig & Co., a processor of meats and deli products, alleging that defendant denied employment to African Americans because of their race and segregated women into lower paying jobs. The consent decree provides \$2.5 million in monetary relief, requires that defendant exercise its best efforts to assure that the race and sex of its hires reflect the make-up of its applicant pool, and requires that during the 3-year term of the decree defendant fill production positions on an alternate basis between interested claimants and other applicants.

Organizational Excellence Performance Scorecard			
Total FY 2004 Investment: Allocated to Strategic Objectives 1 and 2			
Total Measures	Targets Met	Targets Partially Met	Targets Not Met
8	4	3	1

Performance Highlights

President's Management Agenda

Our progress toward achieving the objectives set forth in our Organizational Excellence performance goal is guided by the PMA. The PMA identifies five areas that require improvement throughout the Federal government. Our goal is to achieve a green rating on the scorecard in all categories. Our efforts to achieve green in each PMA area are discussed below and in the Inspector General's (IG's) Summary of Significant Management Challenges.

Strategic Management of Human Capital

The thrust of the human capital initiative is not simply having a number of employees, but having the right



number, in the right place, with the right skills, at the right time. Realizing the vision of a fair and inclusive workplace requires an agency workforce that can effectively handle the complexities of enforcement, litigation, mediation, and prevention related to employment discrimination. Attaining that workforce is highlighted in Measures 3.1.2 and 3.1.3 under our Organizational Excellence Strategic Objective. We introduced a performance management system for Senior Executive Service staff, managers, and supervisors to obtain better alignment between individual efforts and EEOC strategy. We also implemented performance management for managers and supervisors. An inter-office workgroup began an effort to integrate and expand agency-wide workforce planning. A human capital strategic plan was drafted, together with outlines of priorities to be achieved over the next five years.

Competitive Sourcing

We have consistently identified commercial and inherently governmental inventories throughout the Commission. In our five-year competitive sourcing plan, we have included planned competitions for information technology desktop support and applications training, human resource record processing, management and staff training, and Federal operations case file administration.

Improved Financial Performance

During FY 2003, EEOC had its first official audit of our financial statements and received a qualified opinion. The auditors rendered a qualified opinion on the balance sheet because the estimate for future workers' compensation payment liability was material to the financial statements and was not actuarially based. In addition, there was a material weakness in the financial reporting process and a reportable condition involving the allocation of non-direct costs in the managerial cost accounting process. We took steps this year to resolve these findings so we could receive an unqualified opinion on our FY 2004 financial statements. We are planning to replace our financial system and implement the e-Travel software across the agency.

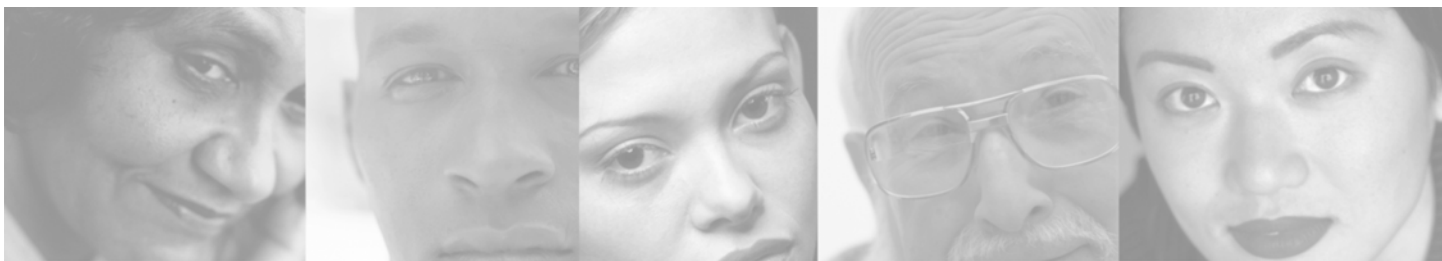
Expanded Electronic Government

Over the past several years, we have completed several major information technology E-gov projects that automate internal processes, reduce paperwork burden, integrate data, and allow the agency to work more efficiently with existing resources.

In FY 2004, EEOC deployed an online registration and sales system, which provides the public, businesses and other government agencies with the ability to obtain educational information, training materials, and register and pay for EEOC seminars over the Internet. In addition, we expanded our Document Management System (DMS) from a single application to three production applications and began converting our Federal appellate case files into a structured, electronic format within the DMS. In FY 2005, we will implement a web-based tool to assist the public in determining if their employment discrimination concerns fall within our jurisdiction and provide them with the option to securely transmit complaint information to EEOC electronically. We will also continue to upgrade our IT infrastructure to enhance information security and implement additional applications to support electronic document management, automated workflow, and records management.

EEOC Fights Religious Discrimination

The San Francisco District Office settled a Title VII lawsuit against Barber Dodge and Fairfield Toyota, alleging that defendants subjected seven Charging Parties to national origin and religious discrimination. The Charging Parties were called "terrorists" and "thieves" and ridiculed because of the color of their skin, their Afghan national origin and their Muslim faith. The lawsuit also alleged that claimants were either discharged or constructively discharged in retaliation for complaining of harassment. The Charging Parties will receive \$550,000 in monetary relief.



Budget and Performance Integration

In FY 2004, a cross-organizational group of agency employees designed a cost accounting approach to better integrate budget and performance and to improve financial management through the collection, allocation, and reporting of program costs. The cost accounting framework outlines major program elements to which employees allocate their time, allowing the agency to assess the cost of its programs for effective management of resources and operations.

We will continue the implementation of the cost accounting system through our time and attendance process. The system will enable us to routinely collect and better account for and strategically manage resources to meet agency goals. It will also help to better align our resources with program goals and results.

Model Workplace

EEOC employees are at the heart of our efforts to become a model workplace and achieve organizational excellence. In FY 2004, we began to implement strategies, programs, and practices to strategically manage our employees and enable them to better perform their jobs. Several of our performance measures, Measures 3.1.6 and 3.1.7, were developed to find ways to resolve complaints or other disputes quickly and successfully.

Another Victory in the Battle Against Racial Discrimination

The Los Angeles District Office settled its lawsuit against Earl Scheib, an auto-body chain, alleging that a manager subjected African American employees to racial slurs. Class members were also discharged in retaliation for complaining of harassment. Class members will share \$375,000.

RESOLVE

RESOLVE, our one-stop, informal program for settling all types of workplace disputes within EEOC, celebrated its first anniversary on September 30, 2004. It is an ADR alternative not only to equal employment opportunity complaints, but to grievances and unfair practice claims. The program uses mediation or facilitation to resolve disputes brought to the program by our employees. During FY 2004, 48 people came to RESOLVE for assistance in resolving a workplace dispute.

Measure 3.1.7 tracks employees' acceptance of the RESOLVE program by looking at their willingness to use the program after their first use. Employees who completed a mediation or facilitation are asked to complete a participant satisfaction survey. Of the employees who completed the survey, 94% indicated that they would use the program again. This far exceeded our FY 2004 target of 30% and even exceeded our FY 2009 target of 80%. To build on this success and sustain this high level of satisfaction, the RESOLVE program will continue extensive outreach to inform and educate EEOC employees about RESOLVE and to encourage them to use the program if they are involved in a workplace dispute.

Other successes of the program included:

- Twenty one of the disputes submitted to the program were EEO cases referred to RESOLVE from the Office of Equal Opportunity. In FY 2004 the RESOLVE Program had a resolution rate of 71% for EEO cases.
- The majority of our cases, however, 28, were non-EEO cases. In FY 2004, the resolution rate for non-EEO cases was 60%.
- The average processing time for all cases was 72.8 days. Our program goal had been to resolve all cases in 90 days or less so we substantially exceeded that goal.



Training

This year over 1,000 EEOC employees received training. This training was provided through venues as diverse as the Management Development Institute, which delivered EEOC-specific leadership and management training sessions, on-line courses through the Employee Development Center, the Federal Executive Institute, and the Small Agency Council. We also provided in-house training. EEOC staff received training in areas such as briefing and presentation techniques, customer service, clear writing through critical thinking, mid-career retirement planning, support staff career development skills for success, basic mediation skills, trial attorney orientation, the Freedom of Information Act, and ethics subjects, including the Hatch Act, conflicts of interest, and outside employment.

Financial Highlights

FY 2004 is the first year that agencies covered by the Accountability of Tax Dollars Act of 2002 are required to prepare a Performance and Accountability Report that includes audited financial statements. The Office of Management and Budget (OMB) Bulletin Number 01-09 and related OMB memoranda were used as guidance for the preparation of the accompanying financial statements.

EEOC prepares five financial statements: the Consolidated Balance Sheet and Consolidated Statements of Net Cost of Operations, Changes in Net Position and Financing, and the Combined Statement of Budgetary Resources.

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 2004 and FY 2003.

Consolidated Balance Sheet

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

Property, plant, and equipment increased by 35% in FY 2004 because EEOC leased additional copiers that are recorded as capital assets at a total value of \$607,000. In addition, EEOC made leasehold improvements valued at \$816,000. The improvements were made to relocate the Washington field office to space in the headquarters building in order to reduce the rental cost of space. The future worker's compensation liability decreased by 10%. An actuary calculated the liability for FY 2004. For FY 2003, a template provided by the Department of Labor was used to make the computation.

The cumulative result of operations shows a negative balance of \$23 million. 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

Consolidated Statement of Net Cost of Operations

The Consolidated Statement of Net Cost of Operations presents the gross cost incurred by major programs less any revenue earned. For FY 2004, EEOC used hours worked by employees, as reported by employees through a survey instrument, to capture costs by major programs. For FY 2003, EEOC used an estimate of hours worked to allocate costs. The allocation of costs for FY 2004 shows that resources used for Justice and Opportunity (administrative charge processing, mediation, litigation, and State and local) increased by 2% with a corresponding decrease of 2% for Inclusive Workplace (training/technical assistance and outreach).



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Total costs decreased by \$1.3 million; however, fees earned for training increased by \$444,000. The net cost of operations decreased by \$1.7 million.

Consolidated Statement of Changes in Net Position

The Consolidated Statement of Changes in Net Position represents the change in the net position for FY 2004 and FY 2003 from cost of operations, appropriations received and used, net of recissions and the financing of some costs by other government agencies. Unexpended appropriations decreased by \$2.8 million primarily because of an increase in appropriation recissions and canceled authority. This resulted in a net decrease in net position of \$2 million.

Combined Statement of Budgetary Resources

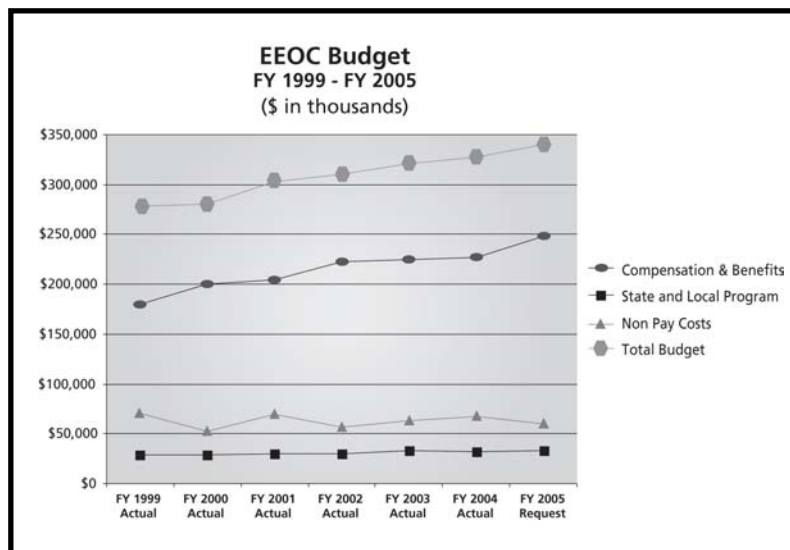
The Combined Statement of Budgetary Resources presents how budgetary resources were made available and the status of those resources at the end of the fiscal year. Our budgetary resources increased by \$2 million in FY 2004. Appropriations received increased by \$4.6 million and authority from collections and beginning balances increased by \$2.4 million. Recoveries of prior year funds decreased and unavailable authority increased which resulted in a total decrease of \$4.9 million in authority. Resources that remained unobligated at year-end were \$9.4 million and \$11.1 million in FY 2004 and FY 2003, respectively.

Consolidated Statement of Financing

The Consolidated Statement of Financing is presented to explain the difference between budgetary and accrual based accounting. Total resources available increased by \$5 million; however, resources used to purchase assets and reduce liabilities were greater in FY 2004 by \$6.6 million, resulting in a reduction from FY 2003 of resources used in operations of \$1.5 million. Additionally, costs of operations that did not require current resources decreased by \$.2 million. Adding these together shows the decrease in the net cost of operations of \$1.7 million.

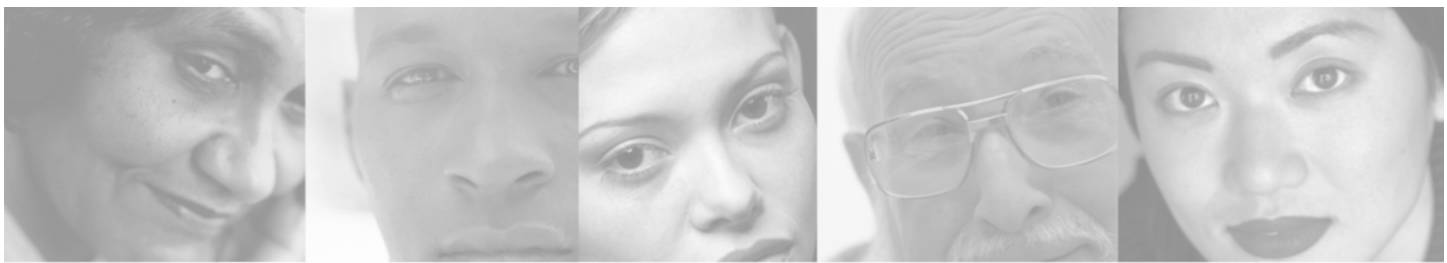
Use of Resources

The chart below displays a six-year historical view of EEOC's use of resources. Compensation and benefits consumes the majority of the budget at 70 %, including a 7% increase in average salary and benefit costs by FTE. Rent is the second item that has consumed a major portion of the budget at 9%.





ACHIEVING RESULTS



Integration of Elements in the Strategic Plan

EEOC's new *Strategic Plan for Fiscal Years 2004-2009* (Strategic Plan) was implemented at the beginning of FY 2004. It charts our course of action over the next six years. The Plan is more results-oriented, customer centered and performance-driven. It represents a major improvement in our overall strategic planning and measurement framework.

In this section of the report, we summarize the results we achieved in FY 2004 for the twenty-four performance measures in our Strategic Plan. The measures are organized by our Strategic Plan's three overarching strategic objectives and the Chair's Five-Point Plan. Most of our measures are new for FY 2004. We do not have specific baseline data for some of them at this time, however, we will describe the steps we have taken during this fiscal year, and will be taking in the future, to implement them and measure our results. We also describe our efforts to ensure the validity of our data, and the preparations to implement our schedule of program evaluations.

Our new Strategic Plan represents a melding of our strategic objectives, the Chair's Five-Point Plan, performance measures, and important program initiatives, all of which are integral to the accomplishment of our mission. The key inter-relationships are briefly outlined on the following pages.

Strategic Objective 1: Justice and Opportunity

We will serve the public interest by obtaining justice for individuals who experience employment discrimination and remove discriminatory barriers to create a level playing field. Strategies to achieve this objective are founded on three elements of our Five-Point Plan and incorporate 13 performance measures.

Expected Outcomes

1. Remedying and Deterring Unlawful Employment Discrimination
2. Increased Public Confidence in the Fair and Prompt Resolution of Employment Discrimination Disputes

Five-Point Plan (Element 1)

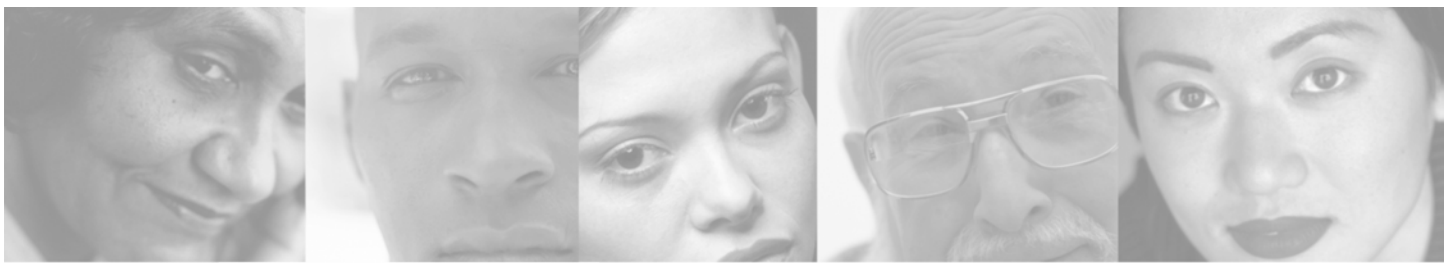
Proficient Resolution: Charge and complaint processing must be accurate, appropriate, and fair. Staff and other resources must be deployed to ensure the quality and timeliness of processing. We will enhance effective quality controls standards and mechanisms to measure our success in meeting this objective.

Performance Measure Highlights: There are five performance measures under Element 1. Three measures ensure that a significant percentage of private sector charges, Federal sector hearings, and Federal sector appeals will be resolved in 180 days or fewer. Another measure evaluates the quality of investigative charge files. The final measure determines how the general public rates its confidence in EEOC's enforcement of Federal equal employment laws.

Five-Point Plan (Element 2)

Promote and Expand Mediation/ADR: ADR is intended to settle conflicts quickly, amicably, and cost-effectively. We will build on our earlier successes with ADR and use this tool in various stages of the private and Federal sector processes to address employment disputes and continue to improve our services. Through marketing, information sharing, and outreach we will further encourage the use of ADR.

Performance Measure Highlights: There are four performance measures under Element 2. Three measures involve EEOC's private sector mediation/ADR program to increase the number of employers agreeing to participate in the program, maintain a high level of confidence in the program, and assess the contributions of the program towards improved workplaces. The fourth measure aims to increase the participation of Federal employees in mediation to resolve issues before a formal complaint of discrimination is filed.



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Five-Point Plan (Element 3)	<p><u>Strategic Enforcement and Litigation</u>: We will focus our attention on emerging trends and issues in the workplace. We will make informed decisions on what topics merit our attention and allow us to better integrate our policy, investigation, litigation, and Federal coordination functions to address and remedy employment discrimination. Our aim is to promote quality investigations, enhance Federal sector coordination, and pursue high impact litigation.</p>
	<p><u>Performance Measure Highlights</u>: There are four performance measures under Element 3. One measure assesses how resolutions of our private sector charges and lawsuits result in improvements in the workplace. Two measures assess the ripple effect of our high impact litigation and our ability to maintain our high rate of successful litigation. A final measure assesses the results of our Federal sector evaluations and assistance efforts in improving Federal workplaces.</p>
<p>Strategic Objective 2: Inclusive Workplace</p>	
<p>We will strengthen America's workplace by preventing discrimination and promoting workplace policies and practices that foster an inclusive work culture. Strategies to achieve this objective are founded on another element of our Five-Point Plan.</p>	
<p>Expected Outcomes</p>	
<ol style="list-style-type: none"> 1. Increased Voluntary Compliance with the Federal Equal Employment Laws 2. Increased Individual Awareness and Understanding of Rights and Responsibilities 	
Five-Point Plan (Element - 4)	<p><u>Proactive Prevention</u>: We will proactively prevent discrimination by educating employees and employers and providing information that will help them identify and solve problems; enhancing outreach activities, promoting sound workplace practices, introducing new and expanded outreach activities, including outreach to small and mid-sized companies, and better using available technology to communicate with the public and our stakeholders.</p>
	<p><u>Performance Measure Highlights</u>: There are three performance measures under Strategic Objective 2. One measure assesses the degree private and Federal sector employers attending our major outreach events improve their workplaces as a result of their participation. A second measure seeks to ensure that over half of the Federal agencies will implement EEOC's Model EEO attributes. Our final measure assesses the awareness of individuals' concerning their EEO rights and responsibilities.</p>
<p>Strategic Objective 3: Organizational Excellence</p>	
<p>We will establish an organizational infrastructure and professionalism to obtain the highest quality standards for equal opportunity, customer service, internal efficiency and fiscal responsibility. Strategies to achieve this objective are founded on the final element of our Five-Point Plan.</p>	
<p>Expected Outcomes</p>	
<ol style="list-style-type: none"> 1. Improved Organizational Performance and Efficiency 2. Instill a Climate of Respect, Service and Responsiveness 	
Five-Point Plan (Element 5)	<p><u>EEOC as a Model Workplace</u>: The principles and standards we promote to employers must be an integral part of our own operations. Our roadmap to achieve this objective is the President's Management Agenda (PMA), which addresses important enhancements to internal Agency operations and the agency's interface with the public. This integration of the Five-Point Plan and other Administration and Agency initiatives will build a model workplace where EEOC can effectively and efficiently accomplish our goals.</p>



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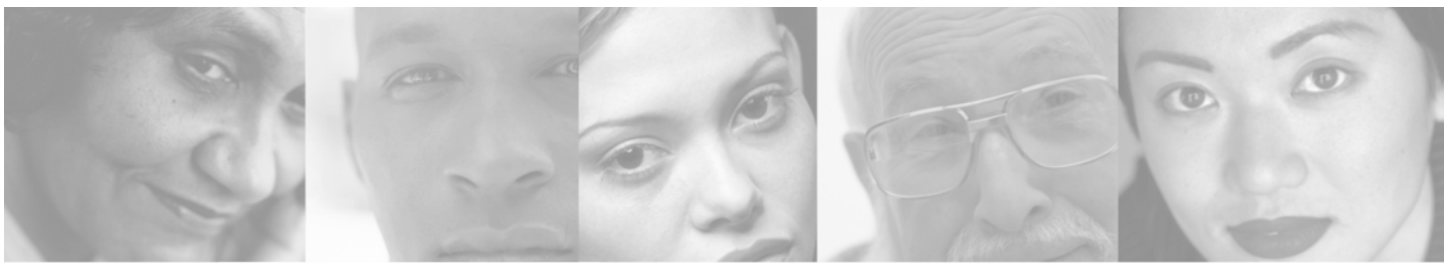
Performance Measure Highlights: There are eight performance measures under Strategic Objective 3. A measure assesses the confidence our customers have in our services. Two measures address our initiatives to manage our human capital and obtain input from our employees. Another measure assures that, when our financial systems are audited, we receive unqualified opinions from our auditors. Three measures assure that we successfully implement internally the Federal sector Model EEO attributes, process our internal complaints of discrimination in a timely manner, and utilize ADR to resolve workplace disputes more quickly, cost effectively and amicably. Our final measure ensures that we transition toward a “paperless” environment by converting our charge and case files into electronic format to improve Agency efficiency and enhance disaster recovery.

Strategic Objective 1: Justice and Opportunity

Our first Strategic Objective is premised on the belief that our fundamental responsibility is to correct the wrongs of employment discrimination and bring justice and equal opportunity to the workplace. To fulfill this responsibility, we must improve our delivery of quality services to the public. We must enhance confidence in our abilities to resolve charges of discrimination in a timely, accurate, and consistent manner. Our enforcement programs in the private and Federal sectors require a substantial investment in resources to ensure that we are able to contain an expanding workload.

Thirteen performance measures in our Strategic Plan are included under three elements of our Five-Point Plan. The following table describes these measures.

PERFORMANCE MEASURES FOR JUSTICE AND OPPORTUNITY	
Outcomes Expected:	
<ol style="list-style-type: none"> 1. Remedy and Deter Unlawful Employment Discrimination 2. Increase Public Confidence in the Fair and Prompt Resolution of Employment Discrimination Disputes 	
Proficient Resolution	<ol style="list-style-type: none"> 1.1.1 By FY 2009, at least 75% of private sector charges will be resolved in 180 days or fewer.¹ 1.1.2 By FY 2009, at least 50% of Federal sector hearings will be resolved in 180 days or fewer.¹ 1.1.3 By FY 2009, at least 70% of Federal sector appeals will be resolved in 180 days or fewer.¹ 1.1.4 By FY 2009, reviews of investigative files indicate that the percentage of files meeting established criteria for quality is at TBD%* or higher. 1.1.5 By FY 2009, the general public rates their confidence in EEOC’s enforcement of Federal equal employment laws at TBD%* or higher.
Promote & Expand Mediation/ADR	<ol style="list-style-type: none"> 1.2.1 Assess the contributions of EEOC’s private sector mediation/ADR program towards improved workplaces. 1.2.2 By FY 2006, increase by 20% the number of private sector charges in which employers agree to participate in mediation over the FY 2003 baseline.¹ 1.2.3 The percentage of respondents and charging parties that report confidence in EEOC’s private sector mediation program is 90% or higher. 1.2.4 By FY 2009, increase the percentage of Federal employees who participate in ADR during the pre-complaint stage of the EEO process to 50% or higher.
Strategic Enforcement & Litigation	<ol style="list-style-type: none"> 1.3.1 By FY 2009, TBD%* of private sector resolutions, where EEOC is a party, result in improvements to employment policies, practices, or procedures. 1.3.2 High impact litigation and publicity efforts subsequently change workforce status of affected groups and/or improves employment policies, practices or procedures in affected workplaces. 1.3.3 Success rate of EEOC lawsuits is 90% or higher by FY 2009. 1.3.4 EEOC’s Federal sector evaluations and technical assistance efforts result in Federal agencies improving employment policies, practices and procedures.¹
¹ Text of these measures was changed from the text in the Strategic Plan. See <i>Addendum: Interim Adjustments to Strategic Plan</i> for an explanation.	



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In our Strategic Plan, we identified many new types of measures for the agency. Several involve using external surveys to collect information for establishing baseline and target values of results we expect to achieve over several years and measuring actual results achieved. Originally, we anticipated conducting surveys in FY 2004 to establish these baseline and target values through FY 2009 so that we could begin to measure results. We were required to balance many critical and competing priorities throughout FY 2004, which impeded our ability to conduct surveys. However, we initiated steps during the fiscal year that will help us complete surveys in FY 2005. With the survey information, we will establish intermediate and final target goals and stay within our long-term time frames for the measures that rely on surveys.

Performance Results for Justice and Opportunity

Strategic Objective 1 includes performance measures for our two major nationwide enforcement programs: Private sector enforcement, including administrative charge processing, mediation and litigation; and Federal sector enforcement, including hearings, appeals, and oversight of Federal EEO programs.

Measure 1.1.5. is one of the indicators where we intend to survey to establish target goals and measure our success.

1.1.5 By FY 2009, the general public rates their confidence in EEOC's enforcement of Federal equal employment laws at [TBD]% or higher.	
Target	Design survey methodology, conduct survey(s), establish baseline of confidence. Set target values for FY 2005-2009
Results	No external surveys developed and conducted because of need to balance many critical and competing priorities throughout FY 2004.



● Target met

◆ Target partially met

⊙ Target not met

We expect to survey members of the public to determine how familiar they are with our enforcement efforts and to what extent they believe that we have responsibly and effectively addressed workplace discrimination. Our assumption is that they will come to us for assistance and trust in our capability to handle their complaint if they know their rights and responsibilities and believe that we will address workplace discrimination. If we are viewed as a fair and just enforcer of the civil rights employment laws, employers, attorneys, advocacy groups and members of the general public will have confidence in our impartial role as a law enforcement agency.

As noted earlier, we initiated steps in FY 2004 to begin the design of some of our surveys. Competing priorities within the Agency prevented us from conducting the surveys. We intend to complete most of our survey activities and steps in FY 2005.

Private Sector Enforcement

Charge Processing

The Commission, in its role as a law enforcement agency, is responsible for enforcing the Nation's civil rights employment laws. Individuals who believe they have been discriminated against in the workplace or in an employment-related activity may file a charge with the EEOC. We assist them in filing their charge; offer mediation to both charging parties and respondents, where appropriate, to try to resolve the charge; review and investigate their charges; and conduct other settlement efforts throughout the charge process. Finally, when the EEOC determines that discrimination *has* occurred, we seek to correct it through settlement/conciliation, mediation, or in appropriate cases, litigation.

The Commission continues to make considerable gains in enhancing its private sector enforcement program.



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1.1.1 By FY 2009, ensure that at least 75% of private sector charges are resolved in 180 days or fewer.					
	2000	2001	2002	2003	2004
Target	X	60.0%	60.0%	60.0%	65.0%
● Results	X	64.0%	65.6%	68.9%	67.1%

● Target met ◆ Target partially met ◎ Target not met

Measure 1.1.1 establishes a goal for FY 2009 to resolve 75% of our private sector charges in 180 days or fewer. This overall goal will help us build upon our steady success in recent years in reducing the average time to process private sector charges. Towards that end, our FY 2004 target is to process 65% of the charges in 180 days or fewer. We processed 67.1% of our resolved private sector charges in the time frame; exceeding the target. Our target for FY 2005 is increased to 70%.

1.1.4 By FY 2009, reviews of investigative files indicate that the percentage of files meeting established criteria for quality is at [TBD]% or higher.	
Target	Define criteria to evaluate quality and develop systems to collect information.
● Results	Defined criteria and developed system to collect information.

● Target met ◆ Target partially met ◎ Target not met

Another of our measures for the private sector balances our efforts to achieve more timely charge processing and ensuring that the quality of our work is maintained. Measure 1.1.4. uses methodologies and more detailed criteria to assess the quality of our charge processing. In FY 2004, we met our targets to define the criteria that will be used to assess the quality of our investigative files and developed a system to collect the information needed to gauge results. In FY 2005, we will determine our baseline value and establish targets for FY 2006 through FY 2009 to measure our success.

1.3.1 By FY 2009, [TBD]% of private sector resolutions, where EEOC is a party, result in improvements to employment policies, practices or procedures.	
Target	Design survey methodology, conduct survey(s), establish baseline level for improvements.
● Results	Developed approaches to obtain the information in the agency's charge database.

● Target met ◆ Target partially met ◎ Target not met

Measure 1.3.1. involves a joint effort of our enforcement programs to measure the effect private sector charge and litigation resolutions have on improvements in the workplace. We know that settlements and conciliation agreements, obtained during the processing of a charge of discrimination, or consent decrees and favorable court orders, obtained during EEOC litigation, have an impact on the workplace. It is important, however, to measure those resolutions, which improve employment policies, practices or procedures at the workplace. In FY 2004, we developed approaches to obtain this information by modifying our existing charge database so that we can collect the information that will allow us to establish a baseline value in FY 2005, set intermediate targets for FY 2006 through FY 2008, and a final goal for FY 2009. Initially, we sought to use a survey to collect this data. However, upon further examination and clearly defining data needed to assess improvements to employment policies,



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practices and procedures, we decided to utilize a more cost effective approach to assessing the results of the measure. The methodology adopted utilizes data collected from the agency's database on private sector resolutions to assess the results of this measure.

Mediation/ADR

Our private sector mediation program is an important tool for resolving charges quickly to the benefit of both employees and employers. The program has been very successful and has contributed to our ability over the past few years to reduce our inventory and resolve more charges in 180 days or less. We have three performance measures that will help us gauge the success of our private sector mediation efforts.

1.2.1 Assess the contributions of EEOC's private sector mediation/ADR program towards improved workplaces.	
Target	Establish procedures to conduct all agency Program Evaluations.
● Results	Developed procedures and criteria to collect information in our charge database to assess the contributions of the mediation/ADR program using an alternate approach.

● Target met ◆ Target partially met ⊙ Target not met

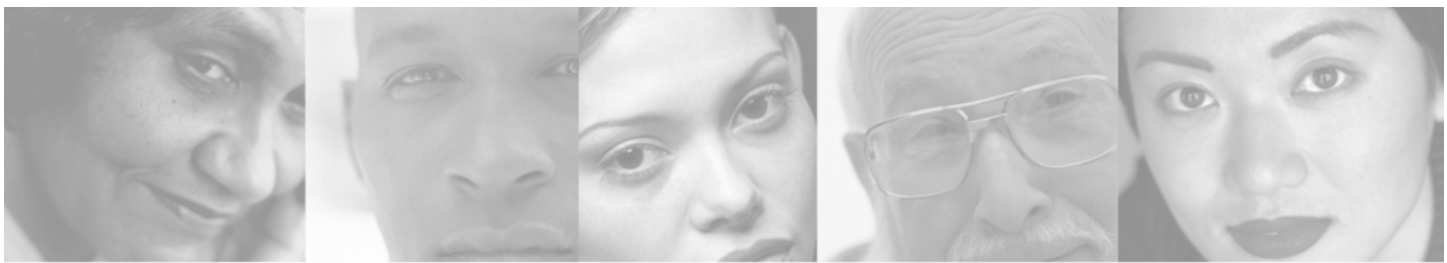
A key aspect of success for our mediation program is the impact it has on the workplace. Measure 1.2.1 will enable us to assess the contributions our mediation program makes toward improved workplaces. As expressed in the target, initially, we planned to conduct a program evaluation for this measure. However, we devised a similar approach to Measure 1.3.1 to assess the results of this measure. In FY 2004, we began to develop procedures and criteria to collect information in our charge database to assess the impact of the private sector mediation program towards improved workplaces. Once this information is collected, we will establish targets for FY 2005 through FY 2009.

1.2.2 By FY 2006, increase by 20% the number of private sector charges in which employers agree to participate in mediation over the FY 2003 baseline.	
Target	Maintain FY 2003 baseline level of employer acceptance to participate in mediation.
● Results	Maintained the baseline range with 13,100 employer acceptances.

● Target met ◆ Target partially met ⊙ Target not met

While participants almost uniformly view our mediation program favorably, the number of employers agreeing to mediate is considerably less than the number of charging parties agreeing to mediate. A past independent study of our mediation program identified several key reasons that made employers reluctant to participate in EEOC's mediation program, therefore, we are faced with a challenging goal.

Beginning in FY 2004, we implemented a new performance measure to increase the number of charges in which employers agree to mediate. We established the target for FY 2004 to maintain the FY 2003 level of employer acceptances. We achieved this target by maintaining the baseline range. During FY 2004, 13,100 employers agreed to participate, which is 77 acceptances outside of the FY 2003 level of 13,177, and is within 0.5% of the baseline. This represents a maintenance of the FY 2003 baseline range. We are continuing our efforts to increase the number of employers agreeing to participate in our mediation program. However, we face several challenges in meeting this measure and will be assessing our performance to identify the resources and other activities needed to reach the target in future years.



1.2.3 The percentage of respondents and charging parties that report confidence in EEOC's private sector mediation program is 90% or higher.		
	Target	Maintain 90% confidence rate.
●	Results	95.6%

● Target met ◆ Target partially met ⊙ Target not met

Measure 1.2.3 will help us maintain a high level of confidence of those charging parties and employers who participate in our mediation program. Our past results from survey information, asking participants whether they would use the mediation program again, demonstrated at least a 90% confidence level in our program. In FY 2004, using the same survey, we questioned a sample of mediation participants and achieved a 95.6% confidence level, surpassing the target for FY 2004.

Litigation

The importance of a strong litigation program to effectively enforce our statutes cannot be overstated. Not only does it provide relief to many victims of discrimination who may have no other recourse, we also believe it serves as an incentive for other employers to settle cases earlier in our administrative enforcement process rather than face the matter in a court of law. In addition, we believe that publicity regarding our high impact cases and other litigation increases employer compliance with the civil rights laws we enforce.

We have two measures to assist us in evaluating the success of our litigation efforts.

1.3.2 EEOC's high impact litigation and publicity efforts subsequently change workforce status of affected groups and/or improves employment policies, practices or procedures in affected workplaces.		
	Target	Establish procedures to conduct all agency program evaluations. Program evaluation of high impact litigation in FY2008.)
●	Results	Instead of developing a general procedure for all program evaluations, the agency is proceeding with a scheduled evaluation and will use lessons learned to inform approaches for future evaluations. For this measure, we are preparing for the FY 2008 evaluation by defining the type of cases that constitute our "high impact litigation" and how we will measure any "change in workforce status."

● Target met ◆ Target partially met ⊙ Target not met

While obtaining monetary benefits is crucial to the fulfillment of our public interest role, it is only part of the mosaic of positive changes that can be brought about by our enforcement and litigation programs. We have begun to capture empirical data and report on the prospective improvements in the workplace garnered through our enforcement efforts.

In addition, we plan to use our resources to focus on lawsuits that have a high impact on reducing discrimination and removing barriers in the workplace. High impact cases frequently affect large numbers of individuals, including individuals not party to a case, and can lead to positive changes throughout a wide geographical area, industry, or employer community.

For these reasons, we adopted Measure 1.3.2 to address our high impact litigation and the subsequent publicity that results from that litigation. This measure will assess how this litigation and publicity changes the workforce status of affected groups and/or improves employment policies, practices, or procedures in affected workplaces. In FY 2004, we defined the type of cases that constitute our "high impact litigation" and how we will measure any "change in workforce status." Throughout FY 2005 through FY 2007, we will initiate steps to collect information



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to assist us in measuring the impact of our litigation and to develop approaches for improving our efforts to achieve greater results.

1.3.3 The success rate of EEOC lawsuits is 90% or higher for the period ending in FY 2009.	
Target	Success rate is 90% or higher using a 6-year rolling average.
● Results	92.2%

● Target met ◆ Target partially met ⊙ Target not met

Measure 1.3.3 will ensure that we maintain a high success rate for resolving our lawsuits at 90% or higher. A five-year study of our litigation program demonstrated that we have achieved this rate of success in the recent past. It is important for us to maintain this high success rate to aid our efforts to deter and remedy discrimination in the workplace. Throughout the entire period from FY 2004 through FY 2009, we expect to maintain at least the 90% level using a 6-year rolling average of successful lawsuits to account for minor year-to-year fluctuations that can result from a limited database of observations. For FY 2004, we met our target and achieved a success rate of 92.2%.

Federal Sector Enforcement

Our Federal sector program has a unique role in ensuring that all Federal employees have the freedom to compete in the workplace on a fair and level playing field and to be judged on the merit of their performance and not on the basis of their race, gender, ethnicity, religion, age, or disability. Our hearings and appellate enforcement efforts and our monitoring, guidance, and assistance activities help us achieve our purposes. We will continue to enhance the hearings program by reducing the age of the complaint inventory by utilizing approaches that will yield swifter processing. We also will continue our recent success in controlling the growth of the appellate inventory while ensuring that appeals are resolved in a fair and efficient manner. Using the guidance and principles contained in the landmark MD 715, which became effective October 1, 2003, the Commission will evaluate the progress of Federal agencies in creating effective equal employment opportunity programs. We will monitor plans submitted by the Federal agencies to the EEOC to identify and remove barriers to free and open competition in the workplace. With the implementation of MD 715 and our focus on establishing effective relationship programs with agencies, we will deliver relevant and helpful information, training, and EEO solutions to Federal agencies. We will implement new initiatives and make further improvements in the Federal sector as part of our continuing evaluation of efforts to reform the process.

In addition to the contributions the Federal sector enforcement program makes to the achievement of Measure 1.1.5 (the measure was discussed in the introduction to performance results for Strategic Objective 1: Justice and Opportunity), the Federal sector enforcement program has four additional performance measures for FY 2004.

Hearings

Increased efforts by our hearings program to utilize early case assessment as a tool to expedite the processing of cases along with the continued use of ADR in the hearings program has aided in the proficient resolution of cases in FY 2004. We have targeted a higher rate in FY 2005 and FY 2006. The increased use of ADR provides the parties with a setting to mutually resolve their complaints without the need for a formal hearing and has reduced the overall processing time in the Federal sector. The incidence of future complaints is also affected by improving communication between parties through mediation and other forms of ADR.



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1.1.2	By FY 2009, ensure that at least 50% of Federal sector hearings will be resolved in 180 days or fewer.				
	2000	2001	2002	2003	2004
Target	X	20.0%	20.0%	20.0%	20.0%
Results	X	19.4%	24.4%	30.5%	32.8%

● Target met ◆ Target partially met ◎ Target not met

Measure 1.1.2. sets our long-range goal to increase the rate to 50% for Federal sector hearings to be resolved in 180 days or less. We have a target of 35% and achieved a rate of 32.8% for FY 2004. We believe our results were affected by two factors, specifically our focus on reducing the aged inventory and the inter-district transfer of cases. In FY 2004, we targeted the oldest cases in our inventory for resolution, which meant we were not able to devote as much attention to new complaints. Because of staffing imbalances in our field offices, we had to utilize complaint transfers to shift our workload, and, as a result, it takes more time for these cases to be processed. We have raised our target for FY 2005 and FY 2006 to resolve 38% and 40%, respectively, of our hearings in 180 days or fewer.

We intend to achieve these goals by using coordinated initiatives we began in FY 2004 to provide substantive and operational support and oversight towards the resolution of hearings cases to help prepare decisions more expeditiously. Our administrative judges, who conduct the hearings on discrimination complaints filed against Federal agencies, will be provided guidance and assistance. The hearings workload will be monitored by analyzing hearings data and evaluating staffing needs and the quality of administrative judges' work. We will continue to expand the use of ADR to resolve complaints at the hearings stage. Federal sector appellate legal tools will be made available to assist administrative judges in processing hearings efficiently by making available fully researched and computerized legal language for inclusion in findings and decisions and fully-searchable past decisions on the our Intranet site.

Appeals

Our Federal sector program adjudicates appeals from administrative decisions made by Federal agencies on complaints of employment discrimination filed by Federal employees or applicants for Federal employment. The Federal sector appellate program has fully implemented the Proficient Resolution component of the Chair's Five-Point Plan by streamlining operations to make its appellate adjudicatory body more efficient with the result that we have dramatically reduced the number, age, and processing time of pending appeals.

1.1.3	By FY 2009, ensure that at least 70% of Federal sector appeals will be resolved in 180 days or fewer				
	2000	2001	2002	2003	2004
Target	10% of cases received in FY 2000	20% of cases received in FY 2001	20% of cases received in FY 2002	20% of cases received in FY 2003	45% of cases received in FY 2004
Results	21.9%	39.5%	40.3%	44.8%	51.8%

● Target met ◆ Target partially met ◎ Target not met

Measure 1.1.3. demonstrates the significant results we have achieved over the years by timely completing more of the appellate cases. We have a goal to resolve 70% of our Federal sector appeals in 180 days or fewer by FY 2009.



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We set a goal for FY 2004 to resolve 45% of the new appeals received within this time frame. Even though we projected an increase in new appeals, we contained the growth of the appellate inventory and continued our progress to ensure that we met this target with 51.8% of new appeals resolved in 180 days or fewer.

We have had an appeals measure of this type since FY 2000. With a relatively high and aged workload, we initially established targets based on the appeals *received and resolved within a specific fiscal year*, helping us to simultaneously work on new appeals coming into the workload while using some of our resources to resolve the aging inventory. We used this approach in FY 2004 and will continue using it for FY 2005. For FY 2006, however, we will be revising the method we use to calculate the appellate resolutions to mirror the way we measure the timeliness of charge resolutions in the private sector and hearings resolutions in the Federal sector. We will include in the calculation all appellate cases regardless of the fiscal year they were filed.

Oversight of Federal EEO Programs

Alternative Dispute Resolution (ADR)

Using ADR can have a powerful impact on Federal agencies' EEO complaint inventories and, in turn, EEOC's hearings and appeals inventories. Resolving disputes as early as possible in the Federal sector EEO process will improve the work environment and reduce the number of formal complaints, allowing all agencies, including the EEOC, to redeploy resources otherwise devoted to these activities.

1.2.4 By FY 2009, increase the percentage of Federal employees who participate in ADR during the pre-complaint stage of the EEO process to 50% or higher.	
Target	25%
Results	Results currently unavailable. (Federal agency data will be reported to the EEOC in early FY 2005.)

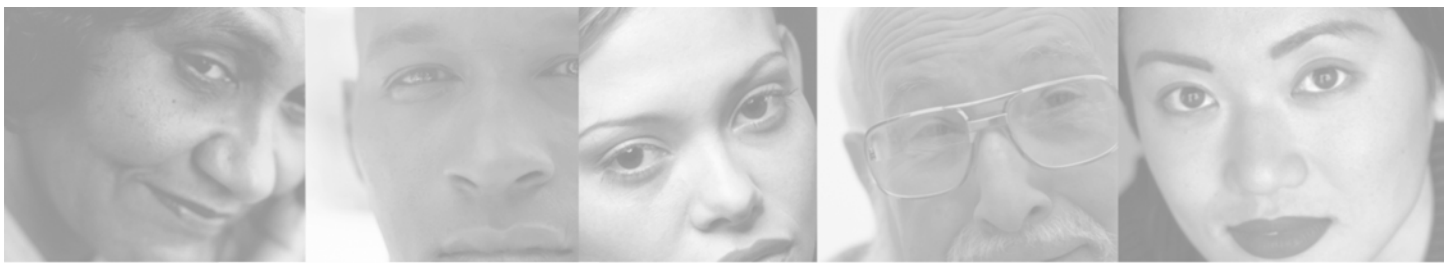
● Target met ◆ Target partially met ⊙ Target not met

We aim to increase the use of ADR techniques at the pre-complaint stage in the Federal sector; the stage *before* a formal complaint is filed with a Federal agency. The Commission's efforts in promoting and expanding mediation/ADR at all stages of the Federal EEO complaint process appear to be having a positive effect on Federal agencies' EEO complaint inventories. 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 an agency to focus resources on its primary mission.

The goal for Measure 1.2.4 is to increase ADR participation to 50% or higher at the pre-complaint stage. Our FY 2004 target was 25%. Since Federal agencies do not report their information to the EEOC until the middle of the first quarter of FY 2005, we will provide the information on the achievement of this target as soon as possible after the reporting period ends.

Evaluation and Technical Assistance

One of the most important mechanisms in our Federal sector program is our authority to conduct evaluations of Federal agency EEO programs. To better implement the Commission's focus on establishing effective relationships with Federal employers, we will conduct these assessments of agencies for establishing model EEO programs. Using targeted evaluations, combined with the new self-assessment tools and checklists in MD 715, we will help Federal agencies assess the effectiveness and efficiency of their EEO programs and whether there are barriers precluding them from effectively utilizing their entire workforce in accomplishing their missions. We will periodically issue evaluative reports on a wide variety of topics in order to share government-wide, as appropriate, valuable information to assist agencies in developing model EEO programs.



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1.3.4 EEOC's Federal sector evaluations and technical assistance efforts result in Federal agencies improving employment policies, practices and procedures.	
Target	Establish procedures to conduct all agency program evaluations. (Program evaluation of Federal Sector Evaluations and Assistance in FY 2009.) Pilot evaluations of five agency EEO programs.
Results	Instead of developing a general procedure for all program evaluations, the agency is proceeding with a scheduled evaluation and will use lessons learned to inform approaches for future evaluations. For this measure, we are preparing for the FY 2009 evaluation by conducting pilot evaluations of six agencies' EEO programs.

● Target met ◆ Target partially met ⊙ Target not met

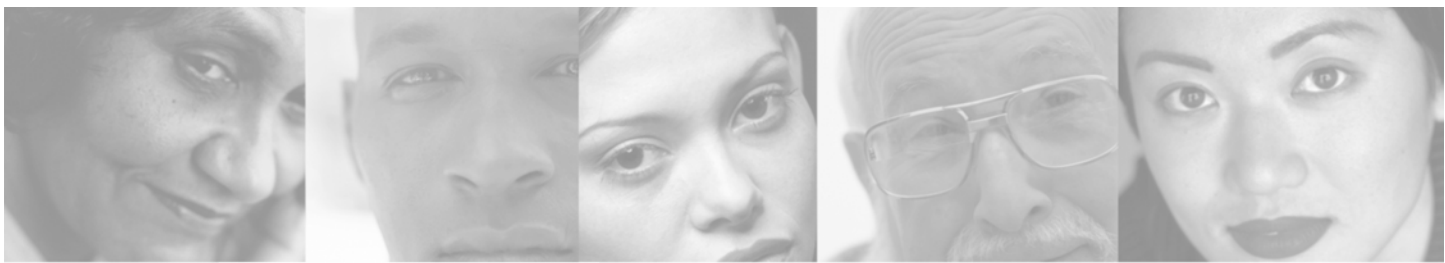
The results of these Federal sector activities, included under Measure 1.3.4, will be assessed with a Program Evaluation study in FY 2009. For FYs 2004 and 2005, we will be defining and evaluating steps to take to prepare for this evaluation. Through our Relationship Manager project, we were able to conduct pilots of six agencies EEO programs. We will use information obtained from pilot evaluations to assist our planning efforts in preparation for the program evaluation scheduled in FY 2009.

Strategic Objective 2: Inclusive Workplace

Under our Inclusive Workplace Strategic Objective, we made strides in FY 2004 to achieve increased voluntary compliance with the Federal equal employment opportunity laws and increased individual awareness and understanding of rights and responsibilities under those laws. Three of the performance measures in our Strategic Plan for this Objective are associated with the Proactive Prevention element of our Five-Point Plan.

Performance Measures for Inclusive Workplace	
Outcomes Expected:	
<ol style="list-style-type: none"> 1. Increase Voluntary Compliance with the Federal Equal Employment Laws 2. Increase Individual Awareness and Understanding of Rights and Responsibilities 	
Proactive Prevention	<p>2.1.1 By FY 2009, [TBD]%* of private and Federal sector employer representatives, who participate in a major outreach initiative or training and technical assistance programs, indicate an improvement in an employment policy, practice, or procedure as a result of their participation.</p> <p>2.1.2 By FY 2009, increase to 50% the percentage of Federal agencies that successfully implement the model EEO program attributes described in EEOC guidance.</p> <p>2.1.3 By FY 2009, increase the percentage of individuals demonstrating an awareness of their equal employment opportunity rights and responsibilities by [TBD]%*.</p>
*TBD: To Be Determined	

Measure 2.1.3 relies on survey techniques to collect the information we need to establish the current baseline, to project a final goal for FY 2009, to determine target values for the intermediate years, and then to measure the results of our prevention efforts. We initiated preliminary steps during FY 2004 to conduct surveys and we anticipate continuing these efforts in FY 2005, so that we can establish our baselines, target values and final goal, and begin to measure our results. We expect that we can remain on our long-term time frame for accomplishing this measure.



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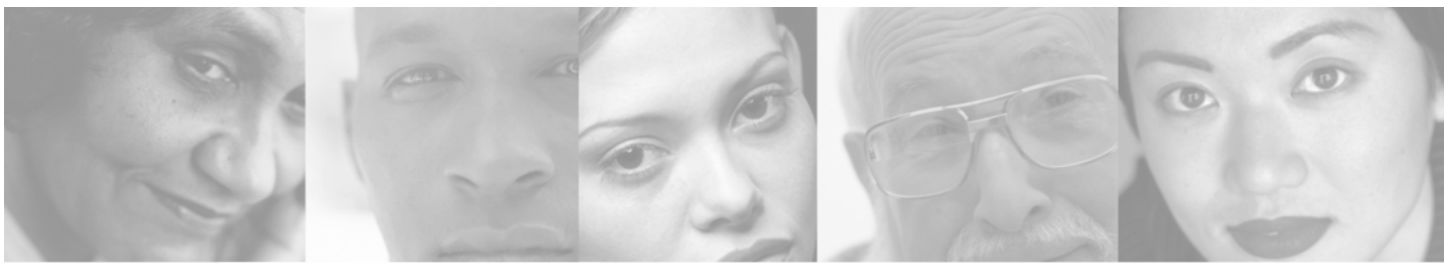
2.1.1 By FY 2009, [TBD]% of private and Federal sector employer representatives, who participate in a major outreach initiative or training and technical assistance programs, indicate an improvement in an employment policy, practice, or procedure as a result of their participation.	
Target	Design survey methodology, conduct survey(s), and establish baseline level for improvements. Set targets for FYs 2005-2009
Results	Target partially met. Designed survey methodology, conducted survey. Did not establish baseline or set targets for FY 2005–2009.
● Target met ◆ Target partially met ◎ Target not met	

Measure 2.1.1 affords us an opportunity to determine the percentage of employer representatives who improve their workplaces as a result of their participation in one of our outreach or technical assistance programs. To evaluate this measure in FY 2004, we conducted a limited year-end survey sampling of fee-based outreach, primarily targeted to private sector audiences. The initial sampling yielded a rather high rate of workplace changes made. We did not establish a baseline level and targets for FY 2005–2009 using the initial survey results. The results raised several questions about the approach used, including whether the responses and results should be differentiated between private sector and Federal sector audiences and what the impact will be of adding no-cost outreach to the sample in FY 2005. To ensure that the workplace changes reported are those we intended to address and that our measurement approach is sound, we will use FY 2005 to further refine and evaluate the measurement approaches for Measure 2.1.1. We plan to set a baseline and specific targets in FY 2005.

2.1.2 By FY 2009, increase to 50% the percentage of Federal agencies that successfully implement the model EEO program attributes described in EEOC guidance.	
Target	Issue guidance on attributes of model EEO program. Design measurement index.
Results	Issued guidance on model EEO program and designed a preliminary measurement index.
● Target met ◆ Target partially met ◎ Target not met	

Successfully implementing the Model EEO Program outlined in MD 715 will provide the infrastructure needed to achieve the ultimate goal of a discrimination-free work environment characterized by an atmosphere of inclusion and the free and open competition for employment opportunities. MD 715 describes six “essential elements” that are required to successfully implement a model EEO program at a Federal agency. Measure 2.1.2 establishes a final goal to successfully implement attributes of the Model EEO Program in 50% of the Federal agencies by FY 2009. During FY 2004, we issued MD 715 and implementation guidance, which provide agencies with a checklist for gauging progress in building a model EEO program. We provided training to Federal agencies on the implementation guidance. We are also in the process of designing a measurement index tool to assess agencies’ model EEO program status. We will share the tool with appropriate agencies for input before the tool is finalized.

2.1.3 By FY 2009, increase the percentage of individuals demonstrating an awareness of their equal employment opportunity rights and responsibilities by [TBD]%.	
Target	Design survey methodology, conduct survey(s), establish baseline level for awareness. Set target values for FY 2005–FY 2009.
Results	No external surveys developed and conducted because of need to balance many critical and competing priorities throughout FY 2004.
● Target met ◆ Target partially met ◎ Target not met	



Measure 2.1.3 is also focused on the broad implications of our prevention efforts. Many of our past initiatives have provided people with the information they need to understand their rights and responsibilities under the equal employment opportunity laws we enforce. Individuals who know their rights, as well as their responsibilities, are more likely to properly understand discriminatory behaviors at the workplace, and know what to do about them. For example, individuals seeking jobs or currently working will have the information they need to evaluate and better distinguish whether a situation is discriminatory, and then know how to proceed to protect their rights. Equally important is the EEO awareness level of the individuals who are responsible for workplace policies, practices and procedures, so that they possess the information to critically assess whether their workplaces are contributing to a discriminatory environment and what their responsibilities are to change the situation. We plan to undertake surveying activities for this measure in FY 2005. With data collected from the surveys, we will establish the baseline level for awareness in FY 2005 and set the targets for FY 2006–2009.

Strategic Objective 3: Organizational Excellence

Organizational Excellence includes the final element of the Chair's Five-Point Plan—EEOC as a Model Workplace. Our efforts seek to improve our organizational capacity and infrastructure to more effectively carry out our mission through sound management of our resources—human, financial and technological. Each of these resources are essential to achieve our enforcement and prevention goals. Balancing all three of our strategic objectives is necessary to accomplish our mission.

At the heart of our efforts to become a model workplace and achieve organizational excellence is our employees. In FY 2004, we began to implement strategies, programs and practices to strategically manage our employees and enable them to perform their jobs better—achieving the results to which we aspire and the public deserves.

In addition, this Strategic Objective reinforces our efforts to manage for results and focus on our customers, both internal and external. The PMA amplifies these tenets and provides the roadmap for the Objective. We are working diligently to meet the PMA requirements for greater organizational efficiency and effectiveness.

EEOC aims to be an organization that sets and implements the highest quality standards for equal opportunity, customer service, internal efficiencies, and fiscal responsibility. Through vision, leadership, and a culture of continuous improvement, we intend to achieve these goals and become a model for others.

Eight of our performance measures in our Strategic Plan are included under this Strategic Objective for Organizational Excellence and the Chair's Five-Point Plan for EEOC as a Model Workplace. The following table lists these measures.

Performance Measures for Organizational Excellence		
Outcomes Expected:		
1. Improve Organizational Performance and Efficiency		
2. Instill a Climate of Respect, Service and Responsiveness		
EEOC as a Model Workplace	3.1.1	By FY 2009, customers rate their confidence in EEOC's services at [TBD]%* or higher.
	3.1.2	By FY 2009, EEOC will meet or exceed Office of Personnel Management (OPM) standards for demonstrating success in managing and developing human capital.
	3.1.3	By FY 2009, EEOC employees will rate their satisfaction in the area of human capital management at or above the overall average rating of all Federal employees collected by OPM in its government-wide Survey.
	3.1.4	EEOC will receive an unqualified financial audit opinion each year from FY 2004 to FY 2009.
	3.1.5	By 2006, successfully implement the Federal sector Model EEO program.



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	3.1.6	By 2009, reduce the average time to process internal EEO complaints by at least 40%.
	3.1.7	The percentage of EEOC employees reporting a willingness to participate again in EEOC's internal EEO/conflict resolution mediation program, <i>RESOLVE</i> , will be 80% by FY 2009.
	3.1.8	By FY 2009, EEOC will convert the key documents contained in 95% of its private sector charge, Federal sector complaint, and litigation case files to electronic format. ¹
*TBD: To Be Determined		
¹ Text of these measures was changed from the text in the Strategic Plan. See <i>Addendum: Interim Adjustments to Strategic Plan</i> for an explanation.		

3.1.1 By FY 2009, customers rate their confidence in EEOC's services at [TBD]% or higher.		
	Target	Design survey methodology, conduct survey(s), establish baseline of confidence. Set target values for FY 2005 - FY 2009.
◎	Results	No external surveys developed and conducted because of need to balance many critical and competing priorities throughout FY 2004.
● Target met ◆ Target partially met ◎ Target not met		

A model workplace strives to provide outstanding customer service. Measure 3.1.1 will use survey techniques to measure our customers' confidence in our services. We will assess attributes and processes that impact on individuals and employers who use our services, such as staff professionalism, agency operations, and approaches to service delivery. This information will enable us to identify and focus on ways to streamline our processes and continuously improve. This measure also allows us to evaluate and improve our internal support operations. A key component that is necessary to achieve excellent external customer service is the ability of our supporting offices to provide excellent service to its "customers," our employees.

We initiated several steps in FY 2004 that will enable us to conduct surveys in FY 2005 and establish baseline values; to reach a goal we establish for FY 2009 for the percentage of customers we expect to be confident in our services; and, target values we intend to achieve in the intervening years. We believe that our steps in FY 2005 will allow us to stay within our time frame for achieving our goal for this measure.

3.1.2 By FY 2009, EEOC will meet or exceed OPM's standards for demonstrating success in managing and developing human capital.		
	Target	Develop and begin implementation of comprehensive human capital strategy.
◆	Results	First year of two-year target: Developed draft strategic human capital plan, established cross-organizational working group to help design workforce planning strategy, developed and implemented performance management system to align efforts and rewards with EEOC's strategic direction, and instituted many other initiatives to achieve two-year target and FY 2009 goal.
● Target met ◆ Target partially met ◎ Target not met		

Critical aspects for achieving our internal and external customer service goals are the ability to address our future human capital needs and to provide a good working environment for our employees. Measure 3.1.2 addresses these areas. OPM has developed guidance to help agencies evaluate their working environment and apply successful strategies to manage and develop its human capital. The two-year target for FY 2004 and FY 2005 is to develop our comprehensive human capital strategy and begin to implement approaches toward achieving this goal.



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With our efforts during FY 2004 , we are well on our way toward meeting the two-year target for this measure. We developed a draft strategic human capital plan and began using it to chart further efforts in line with the our Strategic Plan. We established a cross-organizational working group to help design a cohesive, broad-based workforce planning strategy to extend workload and staffing projections already in use and multiple approaches to implement it. A performance management system was developed and implemented to align efforts and rewards with the agency's strategic direction. Management training and development was updated and implemented. Managers also received general and tailored guidance on labor relations issues. For the two major frontline positions, investigator and trial attorney, standard position descriptions were updated, so that the specification of what these two key groups do is aligned with the EEOC's mission. Materials for assessing Investigator competencies in conjunction with our automated application system were developed. During FY 2005 and into FY 2006, we will build on this foundation for achieving our goal and begin to implement key features necessary to establish a solid foundation of policies, procedures and practices for recruiting, developing, and retaining the workforce of the future for the agency.

3.1.3 By FY 2009, EEOC employees will rate their satisfaction in the area of human capital management at or above the overall average rating of all Federal employees collected by OPM in its government-wide Survey.	
Target	Survey employees and evaluate results compared to OPM study.
Results	OPM conducted government-wide and EEOC employee surveys. Results not available until second quarter of FY 2005.



● Target met ◆ Target partially met ◎ Target not met

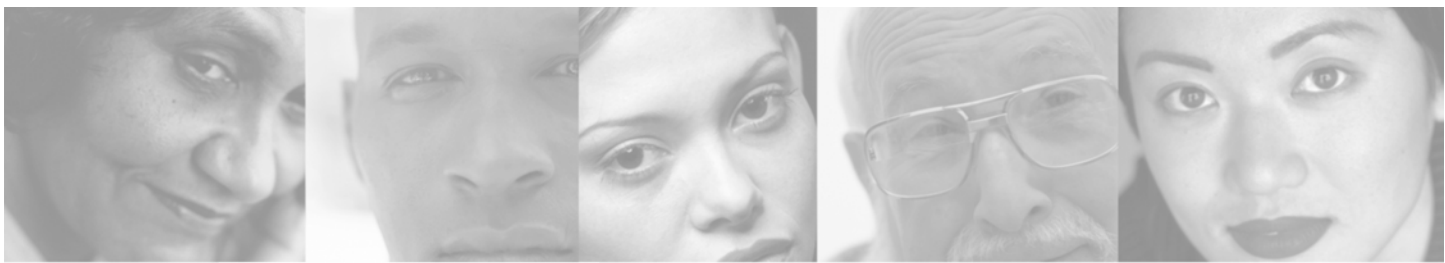
To complement our customer service initiative in Measure 3.1.1 and our human capital strategy in Measure 3.1.2, we need to know how our own workplace environment impacts on our employees' ability to provide excellent service. OPM is assisting all Federal agencies to survey employees on areas affecting them in the workplace. Starting in September 2004, OPM began to survey our employees. Once OPM releases the results of the survey, which is expected by the beginning of the second quarter of FY 2005, we will be able to determine which areas need our attention and how to improve employee satisfaction. Our goal for this measure by the end of FY 2009 is to meet or exceed the government-wide average from OPM surveys. Once survey results are available for EEOC and all other Federal agencies, we will be able to compare respective rates of employee satisfaction in the area of human capital and the steps needed to achieve our long-term goal.

3.1.4 EEOC will receive an unqualified (clean) financial audit opinion each year from FY 2004 to FY 2009.	
Target	Receive unqualified financial audit opinion.
Results	Received an unqualified audit opinion.



● Target met ◆ Target partially met ◎ Target not met

An important component of the PMA is the ability of the Agency to manage its financial resources. Private sector employers and, for some time, major Federal agencies have been required to obtain unqualified opinions from an independent audit of their financial records. Recent statutory changes now require EEOC to have an independent audit of its annual financial statements. In FY 2003, an auditor conducted our first-ever financial audit of the agency in preparation for implementing Measure 3.1.4 in FY 2004. We corrected two material weakness raised in that audit and received the agency's first unqualified opinion from the auditor; demonstrating that we are diligently



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managing our financial resources. We expect to receive an unqualified audit opinion for each of the remaining years through FY 2009.

3.1.5 By 2006, successfully implement the Federal sector Model EEO program.	
Target	Develop action plan and self-assessment tool for implementing Federal sector Model EEO Program attributes. Meet or exceed 50% of identified attributes.
Results	79%

● Target met ◆ Target partially met ◎ Target not met

As we noted for Measure 2.1.2, Management Directive 715 describes the key attributes of a Model EEO Program for all Federal agencies. With that measure, we expect to have 50% of all Federal agencies successfully implementing the model by the end of FY 2009. EEOC is the Federal agency charged with enforcing the Nation's civil rights laws to protect individuals from employment discrimination. We are also expected to be a model workplace under the Chair's Five-Point Plan, which means that our own EEO workplace policies and practices should serve as a prototype for other Federal agencies. Measure 3.1.5 reinforces our commitment to be a model workplace in the area of equal employment opportunity for our own employees. We intend to adopt the Model EEO Program by the end of FY 2006, when we will have successfully implemented all of the attributes described in the model.

Pending the finalization of the methodology that will be used to assess an agency's EEO Program under MD 715, we used the attributes set forth in the self-assessment checklist that was provided with the instructions for the Management Directive. Our preliminary assessment reflects a 79% success rate for the attributes in the checklist, thus exceeding our goal of implementing at least 50% of the attributes of a Model EEO Program during FY 2004. Although the 79% rate exceeds our goal of 75% for FY 2005, we will not revise our FY 2005 goal until our program can be evaluated using the actual assessment tool that will be used to assess all other agencies.

3.1.6 By FY 2009, reduce the average time to process internal EEO complaints by at least 40%	
Target	Reduce the processing time by 10% from FY 2003.
Results	13%

● Target met ◆ Target partially met ◎ Target not met

One of the most important components of the Model EEO Program is the proficient resolution of our internal EEO complaints. We have made significant progress in this area. Our average processing time for internal EEO complaints declined by 8% from FY 2002 to FY 2003. However, the result was still an average processing time of 510 days, beyond what would be expected in a model program. Measure 3.1.6 establishes an ambitious target for us to reduce the processing time by at least 40% by the end of FY 2009. Using FY 2003 as a benchmark, our goal was to reduce our average processing time by 10% during FY 2004.

As a first step to meet this goal, we focused on improving complaint management to dramatically reduce the amount of time a complaint is in the investigative phase. We were able to reduce the average processing time for investigations by 40% (from 275 days to 164 days). The overall result has been a decrease in the average processing time for all types of complaints, which includes dismissals, settlements, and merit decisions with and without an administrative judge's decision. For FY 2004, the average processing time for all internal EEO complaints was reduced by 17.5% (from the 510-day average for the FY 2003 benchmark to 442 days) [10 months of data shows 15% reduction to 430 days].



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FY 2003 benchmark. Both of the FY 2005 and FY 2006 targets are ambitious goals because, as we reduce our average time to process a case, it is harder to reduce it further, making subsequent targets harder to achieve.

3.1.7 The percentage of EEOC employees reporting a willingness to participate again in EEOC's internal EEO/conflict resolution mediation program, RESOLVE, will be 80% by FY 2009.	
Target	30% of employees willing to participate again in RESOLVE.
Results	94%

● Target met ◆ Target partially met ⊙ Target not met

The RESOLVE Program, EEOC's internal ADR program, was launched last fiscal year. The Program is another component of our efforts to become a model workplace. RESOLVE provides a forum for the informal resolution of a variety of workplace disputes involving both EEO and non-EEO concerns. Measure 3.1.7 tracks employees' willingness to participate again in RESOLVE. Our FY 2004 target for this measure is 30%. We far exceeded the target, with 94% of the individuals reporting a willingness to participate in the program again. This unexpected first year result even exceeds our long-term goal of reaching 80% by FY 2009. We recognize that there is a high level of receptivity in the first year. Our challenge, however, is to sustain the high level of performance over the next few years. We have raised our target to 90% for FY 2005 and FY 2006. We will re-evaluate our performance measure once we know our results for a longer period of time.

3.1.8 By 2009, EEOC will convert the key documents contained in 95% of its private sector charge, Federal sector complaint, and litigation case files to electronic format.	
Target	Build the IT infrastructure required to support document management and initiate pilots with headquarters and field offices.
Results	First year of two-year target: Installed first phase of production DMS infrastructure and began converting Federal appellate case files into electronic format.

● Target met ◆ Target partially met ⊙ Target not met

We are continuing to expand our electronic document management initiative. Our Document Management System (DMS) will improve overall agency internal efficiency and effectiveness by increasing access to information, promoting collaboration, streamlining work processes and reducing paperwork burden. It will also improve disaster recovery by providing the capability for electronic off-site storage and recovery of critical agency files.

The two-year target for FY 2004 and FY 2005 for this measure focuses on building the technical infrastructure required to support enterprise-wide document management; such as expanding telecommunication bandwidth, acquiring storage devices and software licenses, and preparing for the phased-in, multi-year implementation of the DMS. During FY 2004, EEOC installed the first phase of the production DMS infrastructure. In addition, we began converting our Federal appellate case files into a structured, electronic format within the DMS. In FY 2005, we will continue to expand DMS functionality and will convert the key documents in at least 3% of the active files by the end of FY 2006. The conversion process should then proceed rapidly and we anticipate meeting our overall goal by FY 2009 to convert the key documents in 95% of our active files.

Addendum: Interim Adjustments To Strategic Plan

The Agency is making limited changes to the text of six performance measures to ensure that their meaning is clearly understood, and it is altering its schedule of Program Evaluations. These changes in the measures and



schedule are interim adjustments to the Agency's *Strategic Plan for Fiscal Years 2004-2009*. For the convenience of the reader, we have highlighted in **bold** several words in each measure to make it easier to identify the key changes made. The change in the schedule of evaluations is described in item E. This schedule change requires the agency to use an alternative method to evaluate the affected measure (see item F).

A) Inclusion of the 180th Day

We are measuring a consistent time frame for the first three measures in our Strategic Plan. We are changing the phrasing of the text to ensure that it is clear that we are including the 180th day of the period in the count. The change is not substantive.

Measure 1.1.1 The original performance measure read: *By FY 2009, ensure that at least 75% of private sector charges will be resolved **within 180 days**.*

The revised performance measure reads: *By FY 2009, ensure that at least 75% of private sector charges will be resolved **in 180 days or fewer**.*

Measure 1.1.2 The original performance measure read: *By FY 2009, ensure that at least 50% of Federal sector hearings will be resolved **within 180 days**.*

The revised performance measure reads: *By FY 2009, ensure that at least 50% of Federal sector hearings will be resolved **in 180 days or fewer**.*

Measure 1.1.3 The original performance measure read: *By FY 2009, ensure that at least 70% of Federal sector appeals will be resolved **within 180 days**.*

The revised performance measure reads: *By FY 2009, ensure that at least 70% of will Federal sector appeals be resolved **in 180 days or fewer**.*

B) Increased Agreement of Employers to Mediate

The private sector mediation program has been very successful; however, our charge data and a research study verified that employers do not agree to participate in the program to the same extent charging parties do. Measure 1.2.2. was developed to increase the number of *charges* in which employers agree to participate. The original language may incorrectly imply that we would count unique employers in order to increase those agreeing to participate. It is more appropriate, however, to try to increase the actual number of charges that are mediated, which require the employer to agree to mediate the charge. The text change is not substantive, but it correctly states how the Agency will determine the results for this measure.

Measure 1.2.2 The original performance measure read: *By FY 2006, **increase** by 20% the number of private sector **employers that agree** to participate in mediation from the FY 2003 baseline.*

The revised performance measure reads: *By FY 2006, **increase** by 20% the number of private sector **charges in which employers agree** to participate in mediation over the FY 2003 baseline.*

C) Federal Sector Evaluations

The Agency regularly uses the term "Federal sector program" when it describes EEOC's activities, policies, processes and procedures involving Federal agencies. One of the activities for EEOC is to evaluate the EEO programs of other Federal agencies. The use of the word "program" in this measure was intended to only indicate that the evaluation would be conducted by our own Federal sector program. It could be misunderstood, however, to require the type of rigor and independence expected from the Program Evaluations. The text of the measure **has been changed to avoid any misunderstanding. It is not a substantive change to the measure.**



Measure 1.3.4 The original performance measure read: *EEOC's **Federal sector program evaluations** and technical assistance efforts result in Federal agencies improving employment policies, practices and procedures.*

The revised performance measure reads: *EEOC's **Federal sector evaluations** and technical assistance efforts result in Federal agencies improving employment policies, practices and procedures.*

D) Electronic Conversion of Files

The electronic document management project will electronically convert key documents in a file, but it was not our intention to count individual documents in order to assess the results for this measure. The original text of the measure could be misunderstood. It has been revised to convey the proper interpretation that EEOC will count the number of case files once the electronic conversion of documents occurs. In addition, the original text did not explicitly include our Federal sector files in the document conversion program. The text was changed to clearly reflect that we are also converting key documents in the Federal files. The text changes are not substantive.

Measure 3.1.8 The original performance measure read: *By FY 2009, EEOC will maintain in electronic format **95% of the key documents** necessary in active charge/ case-related enforcement/ litigation files.*

The revised performance measure reads: *By FY 2009, EEOC will convert the key documents contained in **95% of its** private sector charge, **Federal sector** complaint, and litigation **case files** to electronic format.*

E) Change in Program Evaluations' Schedule

The Agency decided to change the order of the Program Evaluations outlined in the agency's Strategic Plan and conduct the Program Evaluation for the Private Sector Charge Process in FY 2005, rather than the Private Sector Mediation Program. The change in the table describing the revised schedule is not substantive.

F) Alternate Assessment of Private Sector Mediation/ADR Program

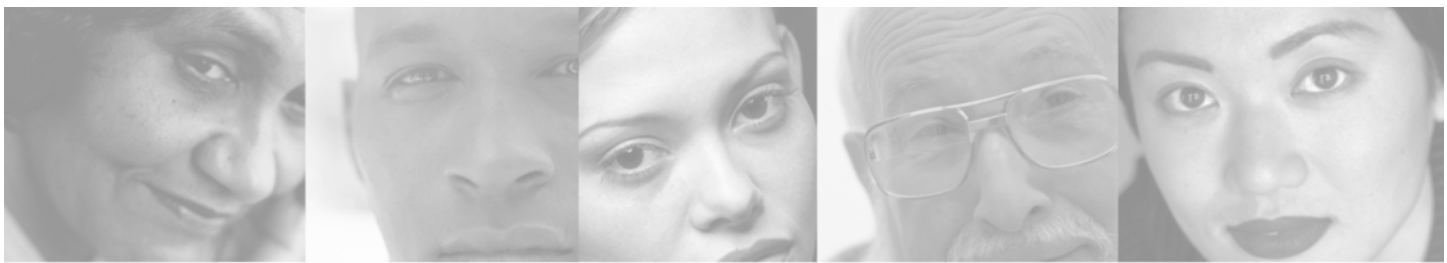
The Strategic Plan indicates for Measure 1.2.1. that the agency would conduct a Program Evaluation in FY 2005 to assess the private sector mediation/ADR program. With the changed program evaluation schedule (item E. above), the agency will assess the program using an alternative method. It intends to develop a methodology to assess the program by using data collected from its investigative charge files and coded into the agency-wide charge database.

Program Evaluation

In our new Strategic Plan, we established a schedule for conducting program evaluations. Program evaluations are designed to be a thorough examination of a program area by ensuring an independent review, using a rigorous methodology, and applying appropriate statistical and analytical tools. It uses expertise within and outside the program under review to enhance the analytical perspectives and add credence to the evaluation and recommendations. Program evaluations with this degree of rigor and independence are important because they enable an agency to determine whether or not its programs are operating as they are intended to, are operating effectively and efficiently, and are achieving results.

During FY 2004, we intended to establish procedures to conduct the five evaluations scheduled in our Strategic Plan. Several performance measures already discussed in this report rely on Program Evaluations to assess the results of the programs and identify ways to improve them.

We initiated activities during FY 2004 that should enable us to prepare for and conduct an FY 2005 Program Evaluation, which will allow us to remain on our schedule for conducting evaluations. We have made an adjustment to the schedule and will be conducting the Program Evaluation on the Private Sector Charge Process



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during

FY 2005, instead of the evaluation of the private sector mediation program. The table below describes our revised program evaluation schedule.

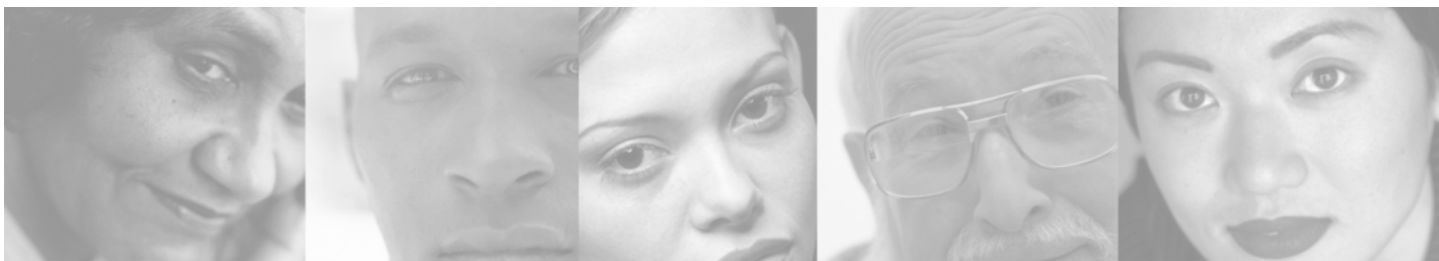
Program	Evaluation Parameters	Schedule
Private Sector Charge Process	Examine and evaluate characteristics of the private sector charge process to enhance the process and the efficacy of procedures used.	FY 2005
Private Sector Mediation Program	Assess private sector mediation program by examining how the overall program and implementation strategies have impacted resolutions achieved, savings obtained, and customer service and work place improvements.	FY 2006
Federal Sector Mediation Programs	Assess the range of mediation/ADR programs in the Federal sector to measure mediation approaches and compare advantages.	FY 2007
Effect of EEOC High Impact Litigation	Identify specific high impact litigation and discern how employers reacted by changing policies, practices or procedures.	FY 2008
Effect of EEOC's Federal Sector Evaluations and Assistance	Identify specific EEOC activities that resulted in changed policies, practices or procedures and developing a methodology to estimate the results achieved from those changes.	FY 2009

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. To that end, we continue to enhance our information quality guidelines and verification and validation processes. This includes designing and implementing electronic information systems to ensure accurate and verifiable data.

For example, we deployed a secure, web-based application that enabled approximately 45,000 businesses to electronically submit their annual Employer Information Report (EEO-1) to EEOC. This new system reduces the need for manual data entry of report data and includes automated edits to validate data, calculate totals and compares statistics against the prior year submission. We also implemented a secure, web-based system that enabled all Federal agencies to electronically submit annual Federal equal employment opportunity statistics (Form 462). This system has improved the quality and timeliness of the information received. In addition, the new Integrated Mission System, which consolidated our mission data on charge intake, investigation, mediation, litigation, and outreach functions into a single shared information system, 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 receive data substantially more quickly with greater data accuracy.

Our information quality guidelines have been in effect for several years. In addition, we have implemented internal procedures to strengthen our ability to verify and validate the quality of our data before it is released to the public.



INSPECTOR GENERAL'S SUMMARY OF SIGNIFICANT MANAGEMENT CHALLENGES



Introduction

In accordance with Section 3 of the Reports Consolidation Act of 2000, a statement is provided by the Inspector General, which summarizes what she considers to be the most serious management challenges facing the Equal Employment Opportunity Commission. These issues were the focus of significant work conducted by the Office of Inspector General during FY 2004, and they require continuous effort by the agency. The management challenges also link directly to the President's Management Agenda initiatives.

Strategic Management of Human Capital

The strategic management of human capital is EEOC's most critical management challenge. The Office of Human Resources is working towards making major progress in meeting the human capital initiatives of the President's Management Agenda (PMA) and the OPM's Human Capital Standards for Success. Steps needed to improve the strategic management of human capital initiative include: continue working with the OPM assigned human capital officer to refine and obtain OPM approval of the Agency developed human capital strategy; complete the development and implementation of an agency-wide integrated workforce planning and analysis capability; complete a skills gap assessment; and develop and execute Individual Development Plans for all employees. Further, the Agency's human capital strategy needs to be communicated to the workforce. As the Commission draws closer to making a decision on the future structure of the agency, the Office of Human Resources remains committed to ensuring that organizational structure is focused toward performing mission activities.

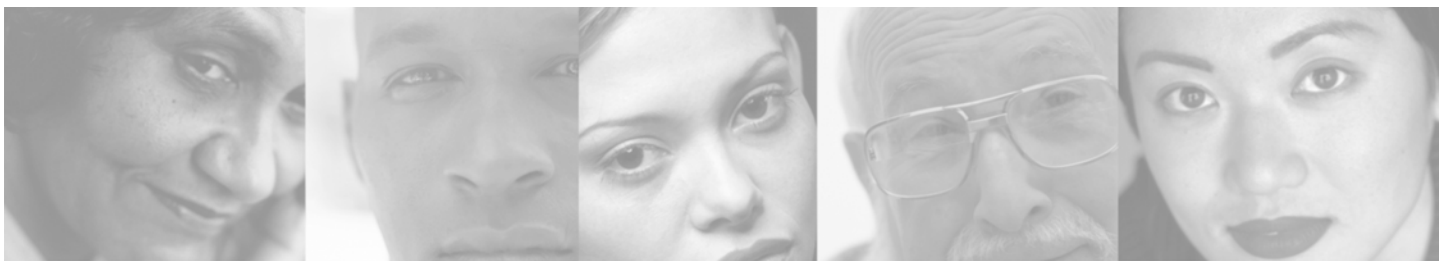
OPM's Division for Human Capital Strategy and Merit Systems Accountability completed a review of the EEOC's Office of Human Resources' operations in May 2004. OPM is currently preparing its draft report that will include their findings and recommendations.

Budget/Performance Integration

The *FY 2005 Performance Budget* continued an improved approach toward budget and performance integration that began with the *FY 2004 Performance Budget*. The *FY 2005 Performance Budget* integrated the budget request with the *Strategic Plan for Fiscal Years 2004-2009*, issued on October 1, 2003. For example, the *FY 2005 Performance Budget* aligned staffing and funding requests with the two mission-related strategic objectives in the Strategic Plan. In addition, the *FY 2005 Performance Budget* included increased alignment of resources to major programs. During FY 2003, the Chief Financial Officer began providing consolidated monthly financial reports by strategic goals, objectives and programs to senior managers. These reports include field and headquarters direct and indirect costs for compensation, benefits, rent and program, and administration.

The agency is also making progress in allocating program costs. In the fourth quarter of FY 2004, the Agency gathered annual time allocation information from each employee. In FY 2005, the agency is adding an automated system that each employee will use to provide time allocation information every two weeks for the entire year. This system, while a strong step forward, does not provide much information necessary for effective management. For example, time for critical tasks within program activities is not captured. In addition, time taken for training is not identified.

In future years, the agency plans to allocate funding at more detailed levels to enhance the budget and performance integration effort. Specifically, plans include redesigning the internal budget formulation process and associated guidance, comparing agency performance with other civil rights enforcement agencies, assessing how long tasks take in order to accurately measure costs, and documenting alignment of cost centers in the financial accounting system to agency programs.



Financial Performance

In accordance with the *Accountability of Tax Dollars Act of 2002*, EEOC's financial statements of FY 2003 were audited. The audit was conducted under contract with the Independent Public Accountants (IPA), Cotton & Co. LLP, who issued a qualified audit opinion on the agency's FY 2003 financial statements due to the agency's calculation of its future workers compensation liability. The CFO has taken steps to address this issue and continues to work to ensure that the agency receives an unqualified opinion on the FY 2004 financial statements.

The CFO is also faced with the challenge of obtaining funding in FY 2006 to update the agency's financial management software to one that is certified by the Joint Financial Management Improvement Program (JFMIP).

Competitive Sourcing

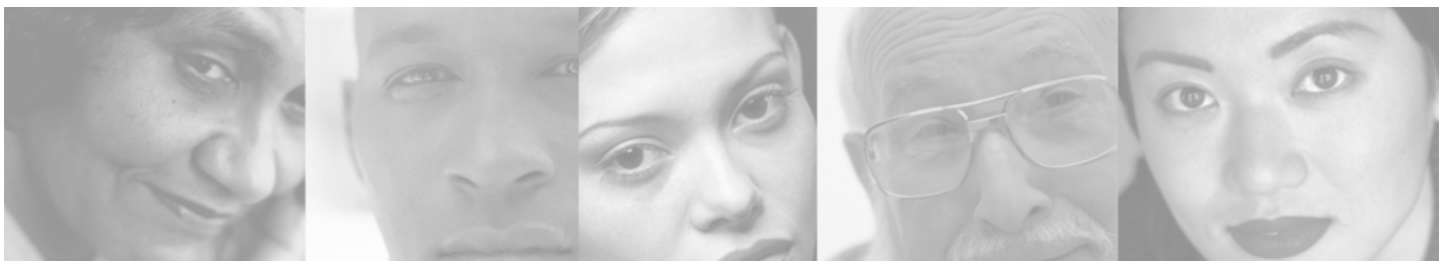
Competitive sourcing still remains a critical management challenge for the agency. The agency plans to consistently identify commercial and inherently governmental inventories throughout the Commission as the five-year competitive sourcing plan is developed. Due to conflicting information received from the Office of Management and Budget (OMB) and the Congress, there has been little progress in this area. There has been no clear guidance in regard to how positions are to be competitively sourced. The agency returned to the practice of direct conversion, replacing full-time employees with contractors, as positions are vacated. Planned competitions for information technology desktop support and applications training, human resources processing and Federal operations intake have been delayed awaiting directions from the Administration and Congress. The OIG plans to review this area in FY 2005.

E-Government

Two of the major issues facing EEOC regarding E-Government are its ability to adequately secure its information systems, and its ability to expand the agency's use of the Internet and computer resources in order to deliver government services. Both of these areas are consistent with the reform principles outlined by President George W. Bush to provide individuals with a citizen-centered, results-oriented, and market-based government.

Based upon the results of several information security reviews conducted this year, it is our opinion that the agency has made significant headway regarding its ability to adequately secure its information resources. However, continued support by senior management with regard to providing the appropriate level of human capital and financial investment is necessary to ensure that all Agency systems remain secure.

Regarding the agency's ability to use the Internet and other computer resources to deliver government services, EEOC has made significant progress. During the year, the Office of Information Technology (OIT), in collaboration with the Office of Field Program's Revolving Fund, developed a web-based registration and sales system. This system provides the public, private businesses, and Federal and state government agencies the ability to register and pay for seminars, and obtain educational and training materials online, via the Internet. OIT worked with the Department of Interior's National Business Center to develop an interface that automatically integrates the web-based payment data with EEOC's core financial system, thereby improving data integrity and timeliness by replacing the previous manual process. Furthermore, EEOC is currently implementing a Charge Assist System to assist the public in filing discrimination complaints electronically. The system contains an "e-Assessment" module to help the public determine if EEOC is the appropriate agency to assist them with their complaint, and an "e-Questionnaire" module will allow the public to securely transmit an inquiry to an EEOC field office for processing. These endeavors require committed financial support to ensure that EEOC continues its progress in providing better agency Internet services to the public.



FY 2004 CONSOLIDATED FINANCIAL STATEMENTS



A Message From the Chief Financial Officer

November 15, 2004

I am pleased to present EEOC's financial statements for FY 2004. Our financial statements are an integral component of our Performance and Accountability Report. The President signed the Accountability of Tax Dollars Act of 2002 on November 7, 2002. This Act extends to the Commission a requirement to prepare and submit audited financial statements. The President's Management Agenda, Improved Financial Performance component, also requires us to obtain and sustain clean audit opinions on our financial statements. The Office of Management and Budget Memorandum M-04-20 dated July 22, 2004, requires the agency to prepare a PAR starting this fiscal year, however, the agency elected to produce a PAR for FY 2003, one year ahead of schedule.

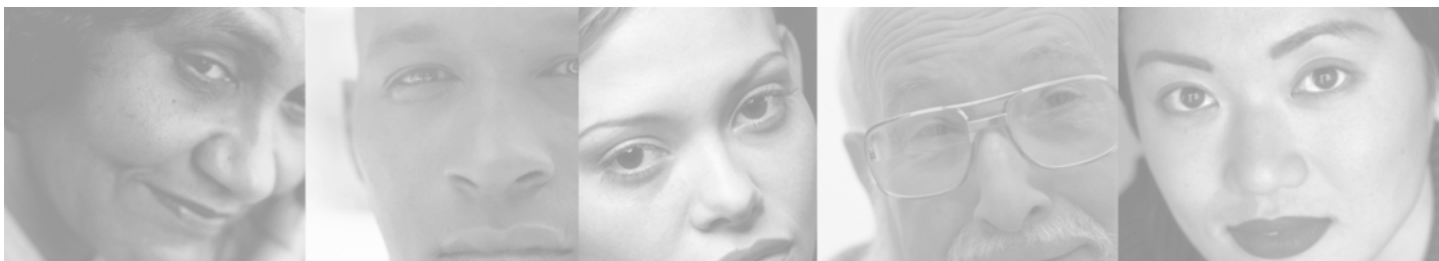
Our FY 2004 financial statements received an unqualified opinion. This achievement is a major success story considering only three years ago the previous financial system was unauditable. In October 2001, we successfully implemented and operated an approved government financial system with our business partner, Department of the Interior's National Business Center. However, this year we were notified by our service provider that the current version of our financial software is no longer certified by the Joint Financial Management Improvement Program (JFMIP) and is therefore considered obsolete. We have made budget plans to replace the financial system in FY 2006 with financial software that has been certified by JFMIP. The agency will also begin the implementation of the mandated e-Travel software in FY 2006. We will continue our partnership with the National Business Center for these system changes.

In support of the Budget and Performance Integration component of the President's Management Agenda and to close FY 2003 compliance and internal control audit findings, we implemented an interim cost accounting data collection process in FY 2004. We used a one-time survey instrument that was sent to all employees to compile hours by program element and calculate costs. For FY 2005, the agency will integrate the methodology in the time and attendance component of the payroll system. Over the next year, the agency will determine what level of program cost detail is necessary to support the objectives of activity-based costing.

EEOC's FY 2004 budget was \$325 million. We completed the fiscal year within budget with improved financial management and an additional focus on cost controls and cost accounting. Compensation and benefit costs continue to consume about 70% of the budget. Initial progress has been made to bring rising office space rent costs under control. However, rent costs remain about 9% of our total budget. With 10% of the budget dedicated to the state and local program, only 11% of the budget is available for technology, programs, travel and other general expenses. We continue to explore ways to reduce the agency's cost structure.

At a September 8, 2003, Commission meeting, I reported that there were several critical fiscal issues which I advised the Commission to focus on to improve the long-term financial health of the agency. The status of these agenda items is provided below.

- **Execute a disciplined analysis of future workforce and infrastructure requirements.** The agency accomplished one major rent saving initiative by relocating the Washington field office to available space in the headquarters building. The relocation will save approximately \$5 million over the next 10 years. Also, the agency relocated the San Francisco District Office when the lease expired. The agency avoided approximately \$400,000 in additional costs annually by reducing the office space size.



- **Recognize and manage competing budget priorities.** The agency continues to be faced with limited budget increases. As a result, the agency has continued a hiring freeze since August 2001. The agency was able to approve some new hires during FY 2004 when attrition rates exceeded projections. In addition, the agency has kept spending controls in place for discretionary travel, awards and training.
- **Formulate a long-term performance budget strategy.** We provided one year forward- looking projections for workload using available forecasting tools in the FY 2005 and FY 2006 performance budget submissions. For the FY 2007 performance budget submission, the agency is considering three-year forward- looking workload projections in an attempt to build a better business case for our resource requirements.

In FY 2005, guided by our Strategic Plan, EEOC will continue its focus on accountability and results through improved performance metrics, budget planning and financial management.

Jeffrey A. Smith, CPA, CGFM
Chief Financial Officer



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

Office of
Inspector General

October 27, 2004

MEMORANDUM

TO: Cari M. Dominguez
Chair

FROM: Aletha L. Brown
Inspector General

SUBJECT: Agency Compliance with the Federal Managers' Financial Integrity Act
OIG Report No.2004-07-AIC

The *Federal Managers' Financial Integrity Act of 1982* (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.

On October 20, 2004, the Office of Research, Information and Planning (ORIP) submitted EEOC's FY 2004 FMFIA Assurance Statement to the Office of Inspector General (OIG) for review. *EEOC Order 195.001, Management Accountability and Controls* requires the OIG to annually provide a written advisory to the Chair on whether the management control evaluation process complied with OMB guidelines. 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; 2) all functional area summary tables, and functional area reports; and 3) ORIP's FY 2004 FMFIA Assurance Statement and Assurance Statement Letter, with attachments. Based on our independent assessment of this year's process,



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

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 FY 2004, and information obtained through intra-office exchanges, OIG concurs with ORIP's assertion that the Agency had no material weaknesses during this reporting cycle.

Regarding the disclosure of eleven (11) incidents of financial non-conformance noted in Attachment 4 of the Assurance Statement Letter, provided by the Office of Chief Financial Officer and Administrative Services (OCFOAS), OIG concludes that all eleven (11) of the non-conformances were corrected during FY 2004. One (1) new non-conformance was identified in FY 2004 regarding the development of an actuarial model for estimating compensation benefits. This non-conformance does not rise to the level of a material weakness for the purpose of externally reporting FMFIA issues.



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

Office of
the Chair

November 1, 2004

FY 2004 Assurance Statement
Federal Managers' Financial Integrity Act

I am pleased to report on the U.S. Equal Employment Opportunity Commission's FY 2004 management and financial controls environment under the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget guidance.

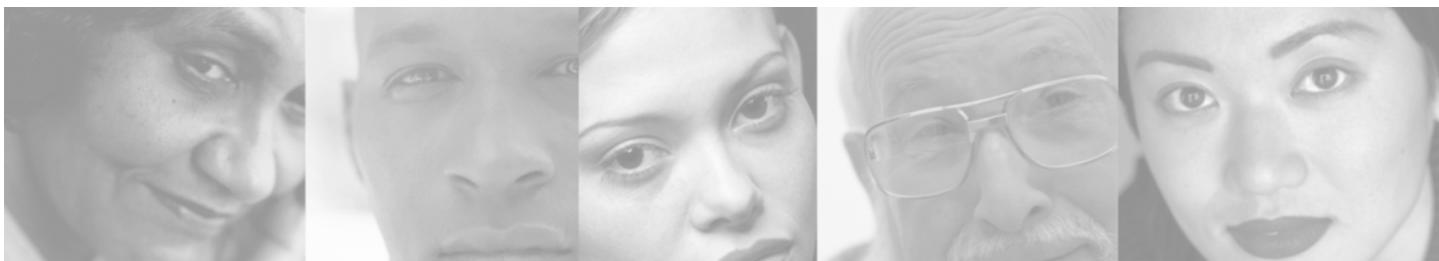
EEOC conducted an evaluation of its management controls and financial management systems in effect during the fiscal year ending September 30, 2004. The evaluation was conducted consistent with the criteria and guidance in OMB Circular A-123, *Management Accountability and Control* (revised June 21, 1995) and the requirements of OMB Circular A-127, *Financial Management Systems and Transmittal Memorandum No. 1* (dated July 23, 1993) and revised by *Memorandum No. 2* (dated June 10, 1999). Also, EEOC took the necessary measures to assure that the agency's evaluation was conducted in a thorough and conscientious manner.

EEOC had no material weaknesses and 12 financial non-conformances. The agency corrected 11 of the non-conformances during FY 2004 and has developed a corrective action plan to resolve the remaining non-conformance during FY 2005.

Based on my review of materials and assurances by the agency's office directors nationwide, I am reasonably assured that EEOC's systems of management and financial controls during FY 2004 were effective and 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. Management controls have also been implemented to assure that programs achieve their stated results and that reliable and timely information is obtained, maintained, reported, and used for decision-making.

The management controls environment is extremely important to ensure fairness, quality, effectiveness, and efficiency in all aspects of the Commission's operations. As we continue to improve our management controls, we are cognizant of the important role they play to achieve our mission and provide services to the American public.

Cari M. Dominguez
Chair
U.S. Equal Employment Opportunity Commission



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

Office of
Inspector General

October 27, 2004

MEMORANDUM

TO: Cari M. Dominguez
Chair

FROM: Aletha L. Brown
Inspector General

SUBJECT: Audit of the Equal Employment Opportunity Commission's Fiscal Year 2004 and 2003
Financial Statements (OIG Report No. 2004-05-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 2004 and 2003. 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 01-02, *Audit Requirements for the 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 2004 financial statements and a qualified except for opinion on the FY 2003 Balance Sheet. In its Report on Internal Control, Cotton and Company LLP identified one material weakness relating to quality assurance over the financial reporting process. Cotton and Company LLP also reported that EEOC's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), and found no reportable noncompliance with laws and regulations it tested.

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 1, 2004, 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

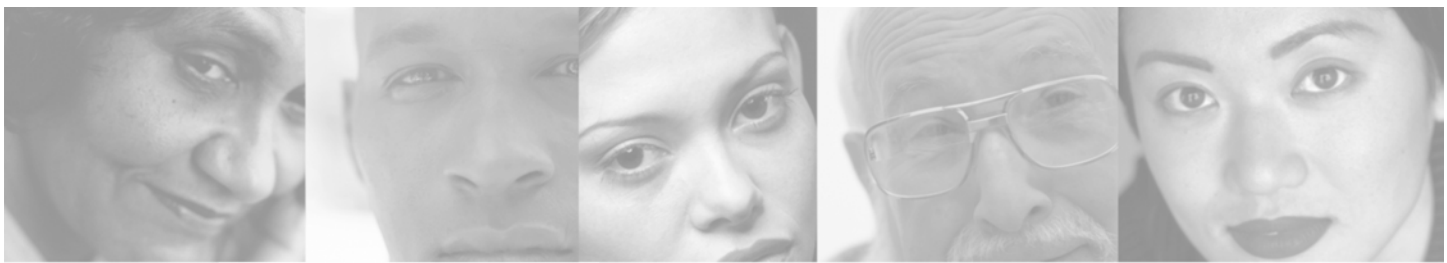


U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

government auditing standards.

EEOC management was given the opportunity to review the draft report and to provide comments. Management concurred with the recommendation included in the draft report. These comments are included with the report as an attachment.

cc: Leonora Guarraia
Jeffrey A. Smith
Germaine Roseboro
Monica Summitt
Nicholas Inzeo
Peggy Mastroianni



COTTON & COMPANY LLP
auditors • advisors

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Inspector General
Equal Employment Opportunity Commission

INDEPENDENT AUDITOR'S REPORT

Cotton & Company LLP audited the accompanying Consolidated Balance Sheets of the Equal Employment Opportunity Commission (EEOC) as of September 30, 2004 and 2003; the related Consolidated Statements of Net Cost of Operations, Changes in Net Position, and Financing; and the Combined Statement of Budgetary Resources for the years then ended. These financial statements are the responsibility of EEOC management and were prepared in accordance with Office of Management and Budget (OMB) Bulletin 01-09, *Form and Content of Agency Financial Statements*, as amended. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audits in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States of America, and OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit 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 overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to satisfy ourselves that the EEOC's fiscal year (FY) 2003 balance sheet estimate of \$12.1 million for its future workers' compensation payment liability was fairly stated. This estimate is material to the financial statements and should have been, but was not, actuarially based.

Because beginning balances for FY 2003 were not audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing for the year ended September 30, 2003.

In our opinion, the Balance Sheet as of September 30, 2004, the related Statements of Net Cost of Operations, Changes in Net Position, Budgetary Resources, and Financing for the year ended September 30, 2004, present fairly in all material respects the financial position of EEOC for the year ended September 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of any adjustments that might have been necessary had an actuarial estimate of the liability for future workers' compensation payments been performed, the Balance Sheet as of September 30, 2003, presents fairly, in all material respects, the financial position of EEOC as of September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

We conducted our audit for the purpose of forming an opinion on the fiscal year 2004 and 2003 financial statements taken as a whole. Certain portions of the Performance and Accountability Report are not a required part of the basic financial statements, but are required by OMB Bulletin 01-09 and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 15, *Management's Discussion and Analysis*.

There are two types of material within EEOC's Performance and Accountability Report that are not a part of EEOC's basic financial statements: Management's Discussion and Analysis (MD&A) and other accompanying information. MD&A describes EEOC and its mission, activities, program and financial results, and financial condition. MD&A is required supplementary information. With respect to EEOC's MD&A, 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 audit.

Other accompanying information consists of the full Performance and Accountability Report except for MD&A, basic financial statements and notes to the financial statements, and this auditor's report. With respect to other accompanying information, we compared the information for consistency with the audited financial statements. Based on these limited procedures, we found no material inconsistencies among the MD&A or other accompanying information and financial statements or notes. We did not audit MD&A or the other accompanying information and therefore express no opinion on them.

In accordance with *Government Auditing Standards*, we issued separate reports dated November 1, 2004, on EEOC's internal control and compliance with laws and regulations. Our reports on internal control and compliance are an integral part of an audit conducted in accordance with *Government Auditing Standards* and, in considering audit results, these reports should be read together with this report.

COTTON & COMPANY LLP

Colette Wilson, CPA

November 1, 2004
Alexandria, Virginia



COTTON & COMPANY LLP
auditors • advisors

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Inspector General
Equal Employment Opportunity Commission

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Cotton & Company LLP audited the Consolidated Balance Sheets of the Equal Employment Opportunity Commission (EEOC) as of September 30, 2004 and 2003; the related Consolidated Statements of Net Cost of Operations, Changes in Net Position, and Financing; and the Combined Statement of Budgetary Resources for the years then ended. We have issued our report thereon dated November 1, 2004. We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States of America, and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered EEOC's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining if internal control had been placed in operation, assessing control risk, and performing tests of controls to determine auditing procedures for the purpose of expressing our opinion on the financial statements. We limited internal control testing to those controls necessary to achieve objectives described in OMB Bulletin 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect an agency's ability to record, process, summarize, and report financial data consistent with management assertions in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and may not be detected.

We noted a certain matter involving internal control and its operation that we consider to be a material weakness as defined above. The material weakness involves the financial reporting process.



Financial Reporting Process

Last year, we reported as a material weakness that EEOC had not established an effective quality assurance system to verify the work of individuals preparing financial statements and footnotes. The Chief Financial Officer (CFO) agreed that an effective and efficient quality assurance system must be implemented and dedicated a senior accountant to operate the quality assurance process.

This year we found a material error in the draft financial statements and the quality assurance system did not detect the error.

In compiling the Statement of Net Cost of Operations, costs were reported for the Enforcement, Mediation, and Litigation Programs under the Strategic Objective for the Private Sector. In assigning non-payroll direct costs to these three programs, EEOC assigned the non-payroll direct costs for each one to the incorrect program.

Program	Actual Non-Payroll Direct Costs	Assigned Costs
Enforcement	\$54.4 million	\$3.1 million
Mediation	\$2.1 million	\$54.4 million
Litigation	\$3.1 million	\$2.1 million
Total Non-Payroll Direct Cost	\$59.6 million	\$59.6 million

This resulted in the total costs for each program to be misstated.

Program	Actual Total Costs	Reported Total Costs
Enforcement	\$189.5 million	\$138.2 million
Mediation	\$16.7 million	\$68.9 million
Litigation	\$40.3 million	\$39.4 million
Total Program Costs	\$246.5 million	\$246.5 million

With an effective quality assurance system, employees in the normal course of performing their assigned functions would have detected and corrected these errors within a timely period.

Recommendation

We recommend that EEOC's CFO improve the effectiveness of the quality assurance system to verify the work of individuals preparing financial statements and footnotes.

Management Comments

EEOC's CFO concurred with the findings and agreed to implement the recommendation.

Status of Prior-Year Internal Control Weaknesses

In the 2003 report on internal control, we described two material weaknesses and one reportable condition. In addition to the material weakness involving the financial reporting process as discussed above, the other material weakness was that EEOC did not obtain an actuarially-based estimate of its liability for future workers' compensation.

The reportable condition was that in preparing its statement of net cost, EEOC allocated material amounts of cost based on estimates rather than actual data.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

EEOC resolved the material weakness and reportable condition before it prepared its FY 2004 financial statements.

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 the existence and completeness assertions, as required by OMB Bulletin 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not express an opinion on such controls.

We noted other nonreportable matters involving internal control and its operation that we will communicate in a separate management letter.

This report is intended solely for the information and use of EEOC management, OMB and Congress. It is not intended to be and should not be used by anyone other than these specified parties. This report is, however, a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP

Colette Wilson, CPA

November 1, 2004
Alexandria, Virginia



COTTON & COMPANY LLP
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Inspector General
Equal Employment Opportunity Commission

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Cotton & Company LLP audited the Consolidated Balance Sheets of the Equal Employment Opportunity Commission (EEOC) as of September 30, 2004 and 2003; the related Consolidated Statements of Net Cost of Operations, Changes in Net Position, and Financing; and the Combined Statement of Budgetary Resources for the years then ended, and has issued our report thereon dated November 1, 2004. We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States of America, and Office of Management and Budget (OMB) Bulletin 01-02, *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 the agency's financial statements are free of material misstatement, we performed tests of EEOC's 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 01-02, including requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to EEOC.

The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations described in the preceding paragraph, exclusive of FFMIA, that we are required to report under *Government Auditing Standards* or OMB Bulletin 01-02.

Under FFMIA, we are required to report whether EEOC's financial management systems substantially comply with federal financial management system requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803 (a) requirements.

The results of our tests disclosed no instances in which EEOC's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Status of Prior-Year Noncompliance

In the 2003 report on compliance with laws and regulations, we noted that EEOC was not in substantial compliance with provisions of Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Standards*, as required under FFMIA.

EEOC resolved this noncompliance in Fiscal Year 2004.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of EEOC management, OMB, and Congress. It is not intended to be and should not be used by anyone other than these specified parties. This report is, however, a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP

Colette Wilson, CPA

November 1, 2004
Alexandria, Virginia



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

Office of the Chief Financial Officer
and Administrative Services

November 8, 2004

MEMORANDUM

TO: Aletha L. Brown
Inspector General

FROM: Jeffrey A. Smith
Chief Financial Officer

SUBJECT: Comments on Draft FY 2004 Financial Statement Audit Reports
(OIG Report No. 2004-05-FIN)

We reviewed the draft audit report prepared by Cotton & Company LLP. We are pleased that the auditors have issued an unqualified opinion on the FY 2004 financial statements with a qualified opinion on the FY 2003 balance sheet. Also, we are pleased there were no findings related to compliance with laws and regulations.

The report has one material weakness in internal controls and recommends that we improve the effectiveness of the quality assurance system to verify the work of individuals preparing the financial statements and footnotes. We agree that the quality assurance system created as a result of the FY 2003 audit findings must be improved. Although we thought the improvements made during FY 2004 would solve the problems, a problem still exists for one of the financial statements. We will ensure this is fixed for the first quarter and subsequent FY 2005 financial statements.

We would like to thank Cotton & Company LLP for their observations to help us improve our preparation of financial statements. Should you have any questions regarding our comments on the draft audit report, please feel free to contact me on (202) 663-4201.



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 and the Government Management Reform Act of 1994.

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.

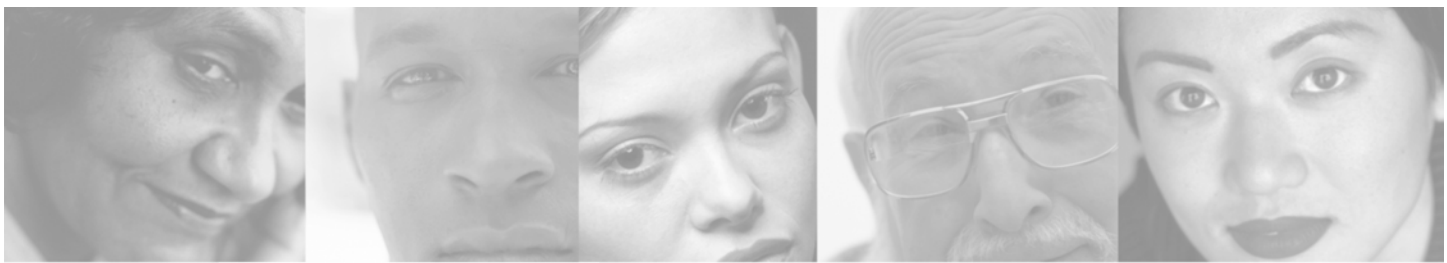


U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

Equal Employment Opportunity Commission
Consolidated Balance Sheet
As of September 30, 2004 and 2003
(in dollars)

	2004	2003
ASSETS		
Intra-governmental		
Fund Balance with Treasury (Note 2)	\$ 53,323,747	\$ 55,837,438
Accounts receivable (Note 3)	7,942	13,692
Total intra-governmental assets	53,331,689	55,851,130
Accounts receivable, net (Note 3)	272,423	108,565
General property and equipment, net (Note 4)	3,982,405	2,941,127
Travel advances	1,485	6,473
TOTAL ASSETS	\$ 57,588,002	\$ 58,907,295
LIABILITIES		
Intra-governmental		
Accounts payable (Note 6)	\$ 223,597	\$ 2,995
Employer payroll taxes	1,435,749	1,094,782
Worker's compensation liability (Note 7)	2,352,002	2,162,970
Total intra-governmental liabilities	4,011,348	3,260,747
Accounts payable	15,687,841	16,596,558
Accrued payroll	6,355,094	4,951,286
Accrued annual leave (Note 7)	16,816,122	16,229,649
Future worker's compensation liability (Note 7)	10,920,940	12,113,502
Capital lease liability (Note 10)	940,456	501,340
Amounts collected for restitution	248,158	246,207
Amounts due to Treasury for non-entity assets	-	356,386
TOTAL LIABILITIES	54,979,959	54,255,675
NET POSITION		
Unexpended appropriations	25,794,279	28,593,060
Cumulative results of operations	(23,186,236)	(23,941,440)
Total net position	2,608,043	4,651,620
TOTAL LIABILITIES AND NET POSITION	\$ 57,588,002	\$ 58,907,295

The accompanying notes are an integral part of these statements.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

**Equal Employment Opportunity Commission
Consolidated Statement of Net Cost of Operations
For the Periods Ended September 30, 2004 and 2003**
(in dollars)

	2004	2003
JUSTICE AND OPPORTUNITY		
Private sector:		
Enforcement	\$ 189,498,876	170,726,845
Mediation	16,672,513	18,680,092
Litigation	40,339,764	48,774,428
Total program costs - private sector	<u>246,511,153</u>	<u>238,181,365</u>
Federal sector:		
Hearings	21,774,433	20,354,867
Appeals	9,941,503	9,293,376
Mediation	1,687,271	1,577,271
Oversight	2,941,493	2,749,725
Total Program costs - Federal sector	<u>36,344,700</u>	<u>33,975,239</u>
State and local:		
Program costs	<u>42,094,244</u>	<u>46,291,682</u>
Net cost of Justice and Opportunity	<u>324,950,097</u>	<u>318,448,286</u>
INCLUSIVE WORKPLACE		
Training:		
Program costs	6,702,291	4,521,551
Revenue	<u>(3,929,974)</u>	<u>(3,486,435)</u>
Net cost - training	<u>2,772,317</u>	<u>1,035,116</u>
Outreach		
Program costs	<u>15,063,517</u>	<u>25,038,435</u>
Totals		
Program costs	21,765,808	29,559,986
Revenue	<u>(3,929,974)</u>	<u>(3,486,435)</u>
Net cost of Inclusive Workplace	<u>17,835,834</u>	<u>26,073,551</u>
Totals all programs		
Program costs	346,715,905	348,008,272
Revenue (Note 1.1)	<u>(3,929,974)</u>	<u>(3,486,435)</u>
Net cost of operations	<u>\$ 342,785,931</u>	<u>\$ 344,521,837</u>

The accompanying notes are an integral part of these statements.

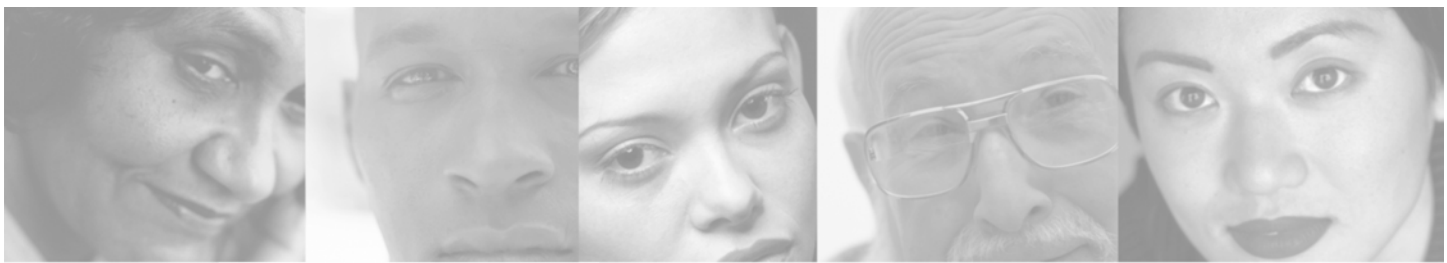


U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

Equal Employment Opportunity Commission
Consolidated Statement of Changes in Net Position
For the Periods Ended September 30, 2004 and 2003
(in dollars)

	2004		2003	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning balances				
Prior-period adjustments (Note 12)	\$ (23,941,440)	\$ 28,593,060	\$ (30,797,491)	\$ 40,431,361
	(297,298)	501,340	108,017	16,797
Beginning balances, as adjusted	(24,238,738)	29,094,400	(30,689,474)	40,448,158
Budgetary financing sources:				
Appropriations received (Note 13)		328,400,000		323,822,000
Recissions and canceled appropriations		(6,747,624)		(4,306,078)
Unexpended appropriations - used	324,952,497	(324,952,497)	331,371,020	(331,371,020)
Other financing sources:				
Imputed financing sources (Note 14)	18,885,936		19,898,851	
Total financing sources	343,838,433	(3,300,121)	351,269,871	(11,855,098)
Net cost of operations	(342,785,931)		(344,521,837)	
Ending balances	<u>\$ (23,186,236)</u>	<u>\$ 25,794,279</u>	<u>\$ (23,941,440)</u>	<u>\$ 28,593,060</u>

The accompanying notes are an integral part of these statements.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

**Equal Employment Opportunity Commission
Combined Statement of Budgetary Resources
For the Periods Ended September 30, 2004 and 2003**
(in dollars)

	2004	2003
Budgetary Resources		
Budget authority		
Appropriations received (Note 13)	\$ 328,400,000	\$ 323,822,000
Unobligated balance		
Beginning of period	11,670,436	9,646,720
Spending authority from offsetting collections		
Earned		
Collected	3,867,680	3,592,758
Receivable from Federal sources	145,345	-
Subtotal	4,013,025	3,592,758
Recoveries of prior year obligations	3,827,300	6,361,319
Permanently not available:		
Recissions	(3,455,610)	(2,007,343)
Canceled appropriations	(3,292,014)	(2,298,735)
Total budgetary resources	\$ 341,163,137	\$ 339,116,719
Status of Budgetary Resources		
Obligations incurred		
Direct obligations	\$ 331,365,757	\$ 327,446,283
Unobligated balance		
Apportioned	439,728	594,673
Unobligated Balances Not Yet Available	9,357,652	11,075,763
Total status of budgetary resources	\$ 341,163,137	\$ 339,116,719
Relationship of Obligations to Outlays:		
Obligated balance - net, beginning of period	\$ 43,569,426	\$ 41,296,278
Obligated balance - net, end of period		
Accounts receivable	(145,345)	-
Undelivered orders	19,721,273	20,923,805
Accounts payable	23,702,281	22,645,621
Outlays:		
Disbursements	327,684,328	318,811,817
Collections	(3,867,680)	(3,592,758)
Net outlays	\$ 323,816,648	\$ 315,219,059

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

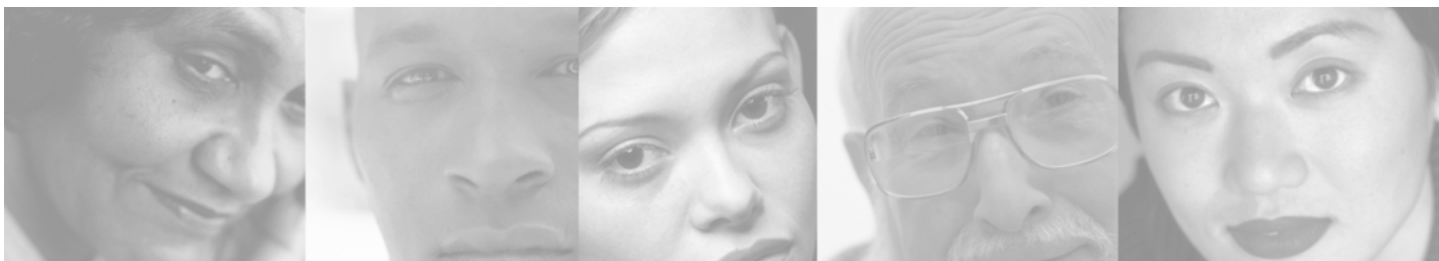


U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

**Equal Employment Opportunity Commission
Consolidated Statement of Financing
For the Periods Ended September 30, 2004 and 2003**
(in dollars)

	2004	2003
Resources Used to Finance Activities		
Budgetary resources obligated		
Obligations incurred	\$ 331,365,757	\$ 327,446,283
Less: Spending authority from offsetting collections	(4,013,025)	(3,592,758)
Less: Spending authority from adjustments	(3,827,300)	(6,361,319)
Net obligations	323,525,432	317,492,206
Other resources		
Imputed financing from costs absorbed by others (Note 14)	18,885,936	19,898,851
Total resources used to finance activities	342,411,368	337,391,057
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	(1,207,520)	(13,918,177)
Resources that fund expenses recognized in prior periods	1,291,124	8,486,498
Resources that finance the acquisition of assets	1,446,332	561,816
Other resources or adjustments to net obligated resources that do not affect net cost of operations	168,670	2,675
Total resources used to finance items not part of the net cost of operations	1,698,606	(4,867,188)
Total resources used to finance the net cost of operations	340,712,762	342,528,245
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	586,473	275,815
Other	189,032	256,977
Total components of net cost of operations that will require or generate resources in future periods	775,505	532,792
Components not requiring or generating resources:		
Depreciation (Note 4)	1,168,968	1,688,157
Revaluation of assets or liabilities	47,916	4,538
Other resources or adjustments to net obligated resources that do not require or generate resources	80,780	38,105
Total components of net cost of operations that will not require or generate resources in the current period	1,297,664	1,730,800
Total components of net cost of operations that will not require or generate resources in the current period	2,073,169	2,263,592
Net cost of operations	\$ 342,785,931	\$ 344,521,837

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



Notes To the Consolidated Financial Statements

September 30, 2004 and 2003

(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 five 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 four years.

In addition, through the Education Technical Assistance and Training Revolving Fund Act of 1992 (P.L. 102-411) 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 that 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. 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 American Management System'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.

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*

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.

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 EEOC.

An imputed financing source is recognized to offset costs incurred by 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 EEOC's balance sheets include both entity and non-entity balances. Entity assets are assets that 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. 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 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 EEOC is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law. The balance consists primarily of appropriations. EEOC records and tracks appropriated funds in its general funds. Also included in Fund Balance with Treasury are



fees collected for services that are recorded and tracked in EEOC's Revolving Fund.

(g) *Accounts Receivable*

Accounts receivable consists of amounts owed to 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 consists of equipment, leasehold improvements and capitalized software. There are no restrictions on the use or convertibility of property, plant and equipment.

EEOC capitalizes property, plant and equipment with a useful life of more than two years and an acquisition cost of \$15,000 or more (\$25,000 for bulk purchases and \$100,000 for leasehold improvements). Software purchases of \$15,000 or more are capitalized with a useful life of two 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 two years.

Depreciation or amortization of equipment is computed using the straight-line method over the assets' useful lives ranging from 5 to 15 years. Copiers are depreciated using a five-year life. Lekturv 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 two 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.

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*

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

(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 one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute fourteen percent of their gross earnings to the plan. CSRS employees are limited to a contribution of 9% of their gross earnings and 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 SFAS 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 two 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 in which 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. 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) *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.

(o) 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.

(p) 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.

(q) 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.

(r) Principal Financial Statements

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost of Operations
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources (presented on a budgetary basis of accounting)
- Consolidated Statement of Financing (a reconciliation of proprietary and budgetary accounting)

(s) Reclassifications

Certain reclassifications to the prior year's statements have been made to conform with the current year's presentation.

(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 EEOC to draw down funds from Treasury for expenses and liabilities.

Fund Balance with Treasury by fund type as of September 30, 2004 and 2003, consists of the following:

	2004		2003	
Revolving funds	\$ 3,585,857		\$ 3,555,191	
General appropriated funds	49,489,732		51,684,671	
Other fund types	248,158		597,576	
Totals	\$ 53,323,747		\$ 55,837,438	

The status of the fund balance is classified as unobligated available, unobligated unavailable, or obligated.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

Unobligated funds, depending on budget authority, are generally available for new obligations in current 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.

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

	2004	2003
Unobligated Balance:		
Available	\$ 439,728	\$ 594,673
Unavailable	9,605,809	11,673,339
Obligated balance not yet disbursed	43,278,210	43,569,426
Totals	\$ 53,323,747	\$ 55,837,438

(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 services provided to public 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, 2004 and 2003, are as follows:

	2004	2003
Intra-governmental:		
Accounts receivable (see below)	\$ 8,459	\$ 28,955
Allowance for uncollectible receivables	(517)	(15,263)
Accounts receivable - net	\$ 7,942	\$ 13,692
With the public:		
Accounts receivable	\$ 322,657	\$ 164,488
Allowance for uncollectible receivables	(50,234)	(55,923)
Accounts receivable - net	\$ 272,423	\$ 108,565



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

Amounts due from various Federal agencies as of September 30, 2004 and 2003, are shown below:

	2004	2003
Department of Labor	\$ 2,250	\$ 2,250
Department of Housing and Urban Development	2,041	
General Services Administration	1,113	1,348
Census Bureau	930	
Department of Justice	225	1,704
Department of Defense		5,952
Department of Health and Human Services		2,997
Department of Transportation		1,249
U. S. Post Office		1,093
Other	1,900	12,362
Total intra-governmental receivables	\$ 8,459	\$ 28,955

(4) Property, Plant and Equipment, Net

Property, plant and equipment consists 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, 2004	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 1,105,063	\$ (666,761)	\$ 438,302
Capital leases	1,329,470	(425,623)	903,847
Internal use software	3,063,695	(2,550,374)	513,321
Leasehold improvements	3,040,245	(1,040,877)	1,999,368
Internal software development	127,567		127,567
Totals	\$ 8,666,040	\$ (4,683,635)	\$ 3,982,405
As of September 30, 2003			
Equipment	\$ 1,585,674	\$ (1,078,488)	\$ 507,186
Capital leases	721,680	(237,826)	483,854
Internal use software	2,664,371	(2,068,913)	595,458
Leasehold improvements	2,107,995	(753,366)	1,354,629
Totals	\$ 7,079,720	\$ (4,138,593)	\$ 2,941,127

Depreciation expense for September 30, 2004 and 2003 is \$1,168,968 and \$1,688,157 respectively.



(5) Non-Entity Assets

Non-entity assets, restricted by nature, consist of miscellaneous receipt accounts. These amounts represent cash collected and accounts receivable (net of allowance for uncollectible amounts) that are due to the U.S. Treasury. Cash collections of \$154,663 were returned to Treasury on September 30, 2004 as instructed by Treasury. The amounts of non-entity assets as of September 30, 2004 and 2003 are as follows:

	2004	2003
Intra-governmental:		
Fund Balance with Treasury	\$	\$ 351,369
Total intra-governmental	0	351,369
Accounts receivable (net of allowance)		5,017
Total non-entity assets	0	356,386
Total entity assets	57,588,002	58,550,909
Totals	<u>\$ 57,588,002</u>	<u>\$ 58,907,295</u>

(6) Liabilities Owed to Other Federal Agencies

As of September 30, 2004, EEOC owes \$217,647 to GSA and \$5,950 to Department of Agriculture. As of September 30, 2003, EEOC owed \$2,995 to OPM.

(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:

	2004	2003
Intra-governmental:		
Accrued workers' compensation liability	\$ 2,352,002	\$ 2,162,970
Total intra-governmental	2,352,002	2,162,970
Accrued annual leave	16,816,122	16,229,649
Future workers' compensation	10,920,940	12,113,502
Capital lease liability (See Note 10 below)	940,456	501,340
Total liabilities not covered by budgetary resources	31,029,520	31,007,461
Total liabilities covered by budgetary resources	23,950,439	23,248,214
Total liabilities	<u>\$ 54,979,959</u>	<u>\$ 54,255,675</u>

EEOC employed an actuary to determine future workers' compensation liability as of September 30, 2004. For September 30, 2003, EEOC computed the liability using a method provided by the Department of Labor to estimate actuarial liability.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

(8) Liabilities Analysis

Current and non-current liabilities as of September 30, 2004, are shown in the following table:

	Current	Non-Current	FY 2004
Covered by budgetary resources:			
Intra-governmental liabilities:			
Accounts payable	\$ 223,597	\$	\$ 223,597
Payroll taxes	1,435,749		1,435,749
Total intra-governmental liabilities	1,659,346		1,659,346
Accounts payable	15,687,841		15,687,841
Accrued payroll	6,355,094		6,355,094
Amounts collected for restitution	248,158		248,158
Total covered by budgetary resources	23,950,439		23,950,439
Not covered by budgetary resources:			
Intra-governmental liabilities:			
Worker's compensation	1,058,061	1,293,941	2,352,002
Total intra-governmental liabilities	1,058,061	1,293,941	2,352,002
Accrued annual leave	16,816,122		16,816,122
Future worker's compensation liability		10,920,940	10,920,940
Capital lease liability	260,389	680,067	940,456
Not covered by budgetary resources	18,134,572	12,894,948	31,029,520
Total liabilities	\$ 42,085,011	\$ 12,894,948	\$ 54,979,959

Current and non-current liabilities as of September 30, 2003 are shown in the following table:

	Current	Non-Current	FY 2003
Covered by budgetary resources:			
Intra-governmental liabilities:			
Accounts payable	\$ 2,995	\$	\$ 2,995
Payroll taxes	1,094,782		1,094,782
Total intra-governmental liabilities	1,097,777		1,097,777
Accounts payable	16,596,558		16,596,558
Accrued payroll	4,951,286		4,951,286
Amounts collected for restitution	246,207		246,207
Due to Treasury for non-entity assets from the public	356,386		356,386



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	Current	Non-Current	FY 2003
Total covered by budgetary resources	23,248,214		23,248,214
Not covered by budgetary resources:			
Intra-governmental liabilities:			
Worker's compensation	969,035	1,193,935	2,162,970
Total intra-governmental liabilities	969,035	1,193,935	2,162,970
Accrued annual leave	16,229,649		16,229,649
Future worker's compensation liability		12,113,502	12,113,502
Capital lease liability	168,670	332,670	501,340
Not covered by budgetary resources	17,367,354	13,640,107	31,007,461
Total liabilities	<u>\$ 40,615,568</u>	<u>\$ 13,640,107</u>	<u>\$ 54,255,675</u>

(9) Contingent Liabilities, Commitments and Contingencies

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 and judgment funds maintained by Treasury or paid by EEOC. As of September 30, 2004 and 2003 there is no amount for contingent liabilities recorded. However, our Office of Legal Counsel has determined that there are seven claims for which it is reasonably possible that damages will be paid. The estimated amount of these damages is \$445,000.

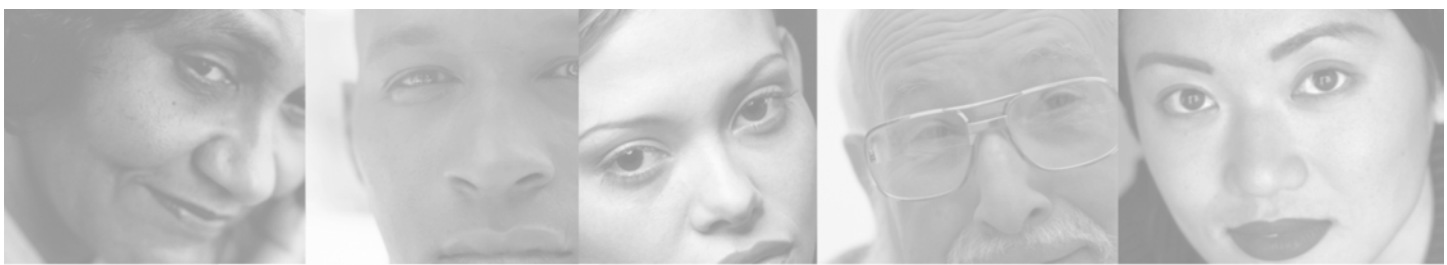
(10) Leases

Capital Leases

EEOC has several capital leases for copiers in the amount of \$940,456 for FY 2004. These leases can be canceled without penalty. The future lease payments and net capital lease liability as of September 30, 2004 is as follows:

Fiscal Year	Estimated Payments
2005	\$ 347,988
2006	336,972
2007	194,614
2008	166,148
2009	100,113
Thereafter	0
Total future lease payments	1,145,835
Less: imputed interest	(205,379)
Net capital lease liability	<u>\$ 940,456</u>

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



Operating Leases

EEOC has several cancellable operating leases with GSA for office space, which do not have a stated expiration. GSA charges rent that is intended to approximate commercial rental rates. Rental expenses for operating leases during FY 2004 and FY 2003 are \$28,783,804 and \$27,596,360 respectively. EEOC has estimated its future minimum liability on GSA operating leases by adding inflationary adjustments to the FY 2004 lease rental expense. Future estimated minimum lease payments, for five fiscal years under GSA as of September 30, 2004, are:

Fiscal Year	Estimated Payments
2005	\$ 28,612,000
2006	28,907,000
2007	29,341,000
2008	29,780,000
2009	30,227,000
Total	<u>\$ 146,867,000</u>

(11) Earned Revenue

Revenue earned by the Commission for fees charged to offset costs for education, training and technical assistance were \$3,929,974 and \$3,486,435 for FY's 2004 and 2003, respectively.

(12) Prior Period Adjustments

Cumulative Results of Operations		2004	2003
Reclassify unfunded capital lease obligation	(1)	\$ (501,340)	\$
Leasehold improvements	(2)	116,000	
Equipment	(2)	88,042	124,814
Reclassify other unfunded liabilities	(3)		(16,797)
Totals		<u>\$ (297,298)</u>	<u>\$ 108,017</u>
Unexpended Appropriations		2004	2003
Reclassify unfunded capital lease obligation	(1)	\$ 501,340	\$
Reclassify other unfunded liabilities	(3)		16,797
Totals		<u>\$ 501,340</u>	<u>\$ 16,797</u>

- 1) To reclassify unfunded capital lease obligation shown in the previous year as a reduction to unexpended appropriations.
- 2) To record leasehold improvements and equipment purchased in prior years.
- 3) To reclassify unfunded liabilities that were shown in previous years as a reduction to unexpended appropriations.



(13) Appropriations Received

The Commission received \$328,400,000 and \$323,822,000 in warrants for the fiscal years ended September 30, 2004 and 2003, respectively.

(14) Imputed Financing

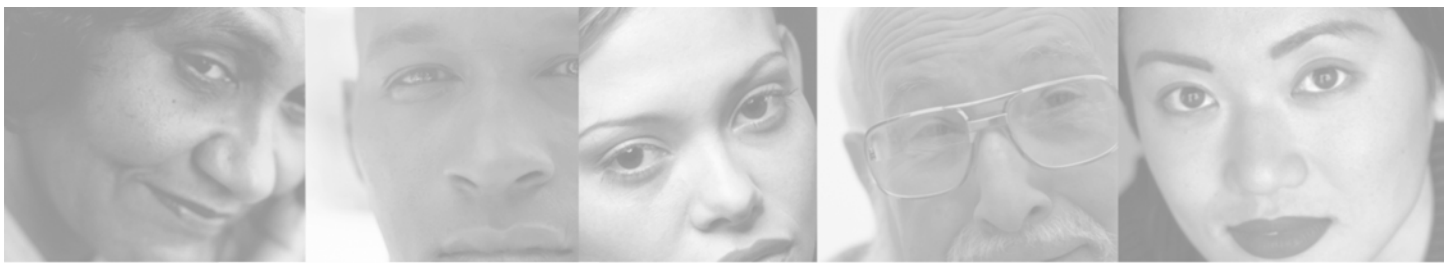
OPM pays pension and other future retirement benefits on behalf of Federal agencies for Federal employees. OPM provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of Federal agencies. The costs of these benefits are reflected as imputed financing in the consolidated financial statements. The U.S. Treasury's Judgment Fund paid certain judgments on behalf of EEOC. Expenses of EEOC paid or to be paid by other Federal agencies at September 30, 2004 and 2003, consisted of:

	2004	2003
Office of Personnel Management:		
Pension expenses	\$ 9,022,670	\$ 10,493,815
Federal employees health benefits (FEHB)	9,434,490	8,589,305
Federal employees group life insurance (FEGLI)	30,942	30,551
Subtotal OPM	18,488,102	19,113,671
Treasury Judgment Fund	397,834	785,180
Total imputed financing	\$ 18,885,936	\$ 19,898,851

(15) Intra-governmental Transactions

Revenue transactions with other Federal entities are shown in the table below for the fiscal year ended September 30, 2004:

Revenue	2004
Environmental Protection Agency	\$ 143,290
Department of the Treasury	143,135
Defense Agencies	113,630
Department of Agriculture	91,420
Department of Homeland Security	79,040
U. S. Postal Service	67,582
Department of the Navy	65,412
Department of the Air Force	65,095
Department of Veterans Affairs	63,845
Department of Justice	56,030
Department of the Army	43,216
Army Corps of Engineers	38,920
Department of Transportation	27,320



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Revenue	2004
Social Security Administration	23,505
National Aeronautics Administration	22,730
Department of Health and Human Services	22,465
State Department	21,770
Department of the Interior	21,140
Other	176,465
Total Intra-governmental revenue	\$ 1,286,010

Expense transactions with other Federal entities are shown in the table below for the fiscal years ended September 30, 2004 and 2003:

Expenses	2004	2003
General Services Administration	\$ 35,021,570	\$ 33,279,631
Office of Personnel Management	28,054,747	102,640
Department of the Interior	16,297,525	5,827,836
Library of Congress	1,234,195	0
Department of Justice	1,210,429	2,035,318
Department of Labor	953,454	191,642
U.S. Postal Service	708,494	1,183,254
Environmental Protection Agency	585,275	471,820
Department of Transportation	571,880	516,866
Department of Veterans Affairs	186,002	286,641
Department of Health and Human Services	644	1,272,097
Other	522,288	1,261,582
Total intra-governmental expense	\$ 85,346,503	\$ 46,429,327

(16) Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

EEOC's budget is allocated between two strategic goals:

- Justice and Opportunity
- Inclusive Workplace

Information from the President's Budget and the Combined Statement of Budgetary Resources for the period ended September 30, 2003, is shown in the following table. A reconciliation is not presented for the period ended September 30, 2004, since the President's Budget for this period is not yet available.



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<i>Dollars in millions</i>	President's Budget FY 2003 actual as of 9/30/03	Statement of Budgetary Resources FY 2003 as of 9/30/03	Estimated FY 2004	Estimated FY 2005
Budgetary resources	\$ 322	\$ 339	\$ 325	\$ 351
Total new obligations	322	327	325	351
Total outlays	315	315	325	347

The differences between the President's 2003 budget and the Combined Statement of Budgetary Resources for 2003 are shown below:

<i>Dollars in millions</i>		Budgetary Resources	Obligations	Outlays (g)
As reported on the Combined Statement of Budgetary Resources for FY 2003		\$ 339	\$ 327	\$ 315
Revolving fund collections not reported in the budget	(a)	(3)		
Carry-forwards and recoveries in the revolving fund and no-year fund not reported in the budget	(b)	(4)		
Obligations in the revolving fund and no-year fund not included in the President's budget	(c)		(4)	
Carry-forwards and recoveries in expired funds	(d)	(12)		
Obligations in expired funds	(e)		(1)	
Canceled appropriations	(f)	2		
As reported in the President's Budget for FY 2003		\$ 322	\$ 322	\$ 315

- (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 revolving and no-year funds' carry-forwards and recoveries are not reported in the President's Budget. They are shown in the Combined Statement of Budgetary Resources.
- (c) 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.
- (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 in the Combined Statement of Budgetary Resources.



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- (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.



OTHER ACCOMPANYING INFORMATION

**Equal Employment Opportunity Commission
Balance Sheet
Education, Technical Assistance and Training
As of September 30, 2004 and 2003
(in dollars)**

	<u>2004</u>	<u>2003</u>
ASSETS		
Intragovernmental		
Fund balance with treasury	\$ 3,585,856	\$ 3,555,191
Accounts receivable	7,595	13,692
Total intragovernmental assets	<u>3,593,451</u>	<u>3,568,883</u>
Accounts receivable, net	132,231	57,631
Travel advances	360	-
TOTAL ASSETS	<u><u>\$ 3,726,042</u></u>	<u><u>\$ 3,626,514</u></u>
LIABILITIES		
Accounts payable	<u>5,702</u>	48,878
TOTAL LIABILITIES	<u>5,702</u>	48,878
Commitments and contingencies		
NET POSITION		
Cumulative results of operations	<u>3,720,340</u>	3,577,636
Total net position	<u>3,720,340</u>	3,577,636
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,726,042</u></u>	<u><u>\$ 3,626,514</u></u>

The accompanying notes are an integral part of these statements.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

**Equal Employment Opportunity Commission
Statement of Net Cost of Operations
Education, Technical Assistance and Training
For the Periods Ended September 30, 2004 and 2003**
(in dollars)

	2004	2003
Revolving Fund		
Program costs	6,702,291	4,521,551
Revenue	(3,929,974)	(3,486,435)
Net Cost of Operations	\$ 2,772,317	\$ 1,035,116

The accompanying notes are an integral part of these statements.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

**Equal Employment Opportunity Commission
Statement of Changes in Net Position
Education, Technical Assistance and Training
For the Periods Ended September 30, 2004 and 2003**
(in dollars)

	2004	2003
	Cumulative Results of Operations	Cumulative Results of Operations
Beginning Balances	\$ 3,577,636	\$ 4,103,853
Prior-period adjustments	0	0
Beginning balances, as adjusted	<u>3,577,636</u>	<u>4,103,853</u>
Other Financing Sources:		
Overhead costs paid by appropriations	2,915,021	
Training costs paid by appropriations		508,899
Total Financing Sources	<u>2,915,021</u>	<u>508,899</u>
Net Cost of Operations	<u>(2,772,317)</u>	<u>(1,035,116)</u>
Ending Balances	<u>\$ 3,720,340</u>	<u>\$ 3,577,636</u>

The accompanying notes are an integral part of these statements.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

**Equal Employment Opportunity Commission
Combined Statement of Budgetary Resources
Education, Technical Assistance and Training
For the Periods Ended September 30, 2004 and 2003**
(in dollars)

	<u>2004</u>	<u>2003</u>
Budgetary Resources		
Budget authority		
Unobligated balance		
Beginning of period	\$ 3,043,439	\$ 3,392,322
Spending authority from offsetting collections		
Earned		
Collected	3,784,629	3,472,168
Receivable from Federal sources	145,345	-
Subtotal	<u>3,929,974</u>	<u>3,472,168</u>
Recoveries of prior year obligations	31,977	235,847
Total Budgetary Resources	<u>\$ 7,005,390</u>	<u>\$ 7,100,337</u>
Status of Budgetary Resources		
Obligations incurred		
Direct obligations	\$ 4,276,396	\$ 4,056,898
Unobligated balance		
Apportioned	304,087	397,647
Unobligated Balances Not Yet Available	<u>2,424,907</u>	<u>2,645,792</u>
Total Status of Budgetary Resources	<u>\$ 7,005,390</u>	<u>\$ 7,100,337</u>
Relationship of Obligations to Outlays:		
Obligated balance - net, beginning of period	\$ 511,751	\$ 661,387
Obligated balance - net, end of period		
Accounts receivable	145,345	-
Undelivered orders	996,505	462,874
Accounts payable	5,702	48,878
Outlays:		
Disbursements	3,753,963	3,970,686
Collections	<u>(3,784,629)</u>	<u>(3,472,168)</u>
Net Outlays	<u>\$ (30,666)</u>	<u>\$ 498,518</u>

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



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

**Equal Employment Opportunity Commission
Consolidated Statement of Financing
Education, Technical Assistance and Training
For the Periods Ended September 30, 2004 and 2003**
(in dollars)

	2004	2003
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations incurred	\$ 4,276,396	\$ 4,056,898
Less: Spending authority from offsetting collections	(3,929,974)	(3,472,168)
Less: Spending authority from adjustments	(31,977)	(235,847)
Net obligations	<u>314,445</u>	<u>348,883</u>
Other Resources		
Other	<u>2,915,022</u>	<u>508,899</u>
Total resources used to finance activities	<u>3,229,467</u>	<u>857,782</u>
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	<u>533,991</u>	<u>(191,820)</u>
Total resources used to finance items not part of the net cost of operations	<u>533,991</u>	<u>(191,820)</u>
Total resources used to finance items not part of the net cost of operations	<u>2,695,476</u>	<u>1,049,602</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Other resources or adjustments to net obligated resources that do not require or generate resources	<u>76,841</u>	<u>(14,486)</u>
Total components of Net Cost of Operations that will not require or generate resources in the current period	<u>76,841</u>	<u>(14,486)</u>
Total components of net cost of operations that will not require or generate resources in the current period:	<u>76,841</u>	<u>(14,486)</u>
Net Cost of Operations	<u>\$ 2,772,317</u>	<u>\$ 1,035,116</u>

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



APPENDIXES



Appendix A: Biographies of the Commissioners and General Counsel

Cari M. Dominguez, Chair



Cari M. Dominguez is the 12th Chair of the U.S. Equal Employment Opportunity Commission. She was nominated by President George W. Bush and unanimously confirmed by the U.S. Senate. Her five-year term expires on July 1, 2006.

As EEOC Chair, Ms. Dominguez continues her distinguished career in the federal government, having served from 1989-1993 in the U.S. Department of Labor as Assistant Secretary for Employment Standards and as Director of the Office of Federal Contract Compliance Programs. In the latter capacity, she launched and led the Labor Department's "Glass Ceiling Initiative," designed to remove invisible barriers from the workplace.

Ms. Dominguez brings to the Commission a broad perspective and a wealth of expertise in employment and workplace issues gained in a variety of settings: as a small business owner, as a consultant, and as a corporate executive. She owned Dominguez & Associates, a management consulting firm that serviced many Fortune 500 companies in the areas of workforce preparedness assessments and employment related issues. She was a partner at Heidrick & Struggles and a Director at Spencer Stuart, two globally recognized executive search firms. Her corporate experience includes various human resources positions with Bank America Corporation, including Director of Executive Programs.

Naomi Churchill Earp, Vice Chair



Naomi Churchill Earp joined the EEOC on April 28, 2003, to serve in the capacity of Vice Chair. She received a recess appointment by President George W. Bush on April 22 to complete the remainder of a five-year term expiring July 1, 2005. She was subsequently re-nominated by President Bush and confirmed by the U.S. Senate in October 2003.

Ms. Earp's work experience in promoting diversity in the EEO field includes a series of progressively responsible leadership positions with various Federal agencies, including the National Institute of Standards and Technology, the National Institutes of Health, the Federal Deposit Insurance Corporation, and the U.S. Department of Agriculture. She brings to the EEOC refined expertise in the EEO field, as well as, hands-on leadership and management experience.

Paul Steven Miller, Commissioner **Term Expired: July 2004**



Paul Steven Miller was one of the longest serving Commissioners in the 40-year history of EEOC. He was first nominated as a Commissioner of the EEOC by President Bill Clinton in May 1994, and was unanimously confirmed by the Senate several months later. The Senate twice more unanimously confirmed Mr. Miller as Commissioner.

Prior to his appointment at EEOC, Mr. Miller was Deputy Director of the U.S. Office of Consumer Affairs and as the White House liaison to the disability community. Earlier, he was the Director of Litigation for the Western Law Center for Disability Rights, a non-profit legal services center specializing in disability rights issues. There, Mr. Miller litigated disability rights cases of all types, including employment, education, transportation, and access discrimination. He was also an Adjunct Professor of Law at Loyola Law School in Los Angeles and a Visiting Lecturer of Law at the University of California at Los Angeles. Mr. Miller began his career as a litigator for a large Los Angeles law firm.



U. S. Equal Employment Opportunity Commission **PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004**

Leslie E. Silverman, Commissioner



Leslie E. Silverman was sworn in on March 7, 2002, as a Commissioner to serve the remainder of a term expiring July 1, 2003. Ms. Silverman was re-nominated by President George W. Bush and confirmed by the U.S. Senate for a five-year term in October 2003.

Ms. Silverman's work experience in labor and employment law includes positions in both the public and private sectors. Immediately prior to joining the Commission, she served for five years as Labor Counsel to the Senate Health, Education, Labor and Pensions Committee. In that capacity, she provided legal advice and counsel on EEO law and wage and hour matters, as well as on labor standards and labor-management relations, to the Committee's Chairman, James Jeffords, and subsequently to Senator Judd Gregg, the

Ranking Member.

Stuart Ishimaru, Commissioner



Stuart J. Ishimaru was sworn in on November 17, 2003, as a Commissioner 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 and focused on management, policy, and political issues involving the Civil Rights Division. Prior to this, as Counsel to the Assistant Attorney General in the Civil Rights Division for five years, Mr. Ishimaru provided advice on a broad range of issues, including legislative affairs, politics, and strategies. 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, he 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.

Eric Dreiband, General Counsel



Eric Dreiband joined EEOC on August 11, 2003, as General Counsel. He was nominated by President George W. Bush on February 4, 2003, and unanimously confirmed by the U.S. Senate on July 31, 2003. Mr. Dreiband will serve as General Counsel for a four-year term.

Mr. Dreiband brings to the Commission a strong background in litigation. Before joining the EEOC, he served as Deputy Administrator for Policy in the U.S. Department of Labor's Wage and Hour Division. Earlier he worked with the Chicago law firm of Mayer, Brown, Rowe and Mawe, where he litigated cases before state and Federal trial courts, appellate courts, and administrative agencies throughout the United States. Mr. Dreiband's practice included labor and employment, consumer fraud, computer fraud, internet dispute, class action, commercial dispute, and criminal cases. His areas of practice included Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination In Employment Act, the Fair Labor Standards Act, the Equal Pay Act, and the Occupational Safety And Health Act. Mr. Dreiband also worked as a Federal prosecutor in the Office of the Independent Counsel.



Appendix B: Glossary of Acronyms

AJ	Administrative Judge
ADEA	Age Discrimination in Employment Act of 1967
ADR	Alternate Dispute Resolution
ADA	Americans with Disabilities Act of 1990
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
FEPA	Fair Employment Practice Agencies
FLSA	Fair Labor Standards Act
IFMS	Integrated Financial Management System
IMS	Integrated Management System
MDI	Management Development Institute
NFI	New Freedom Initiative
NUAM	National Universal Agreements to Mediate
PMA	President's Management Agenda
TERO	Tribal Employment Rights Offices
UAM	Universal Agreements to Mediate

Appendix C: Internet Links

EEOC: www.eeoc.gov

EEOC FY 2004 *Performance and Accountability Report* : www.eeoc.gov/abouteeoc

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

EEOC Performance Plan: www.eeoc.gov/abouteeoc

EEOC Annual Report on the Federal Workforce: www.eeoc.gov/federal/fsp2003/index.html

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

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ACKNOWLEDGMENTS

EEOC's *FY 2004 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 EEOC's *FY 2004 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:

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