UNITED STATES COMMISSION ON CIVIL RIGHTS

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2006

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UNITED STATES COMMISSION ON CIVIL RIGHTS

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MESSAGE FROM THE CHAIRMAN

I am pleased to present the U.S. Commission on Civil Rights' Performance and Accountability Report (PAR) for fiscal year (FY) 2006. In FY05 the Commission's new leadership began its struggle to reform an agency suffering from severe deficiencies in operational and financial controls. The agency also suffered from a history of stagnant funding and decreasing staffing levels. Our struggle to reform the Commission is, however, more than worth the effort because the Commission still has a significant contribution to make to the nation. We at the Commission believe that the Commission remains the "conscience of the nation" and that its work continues to contribute to the creation of a greater and stronger nation.

Overall, this report shows a dramatic turnaround in a very short period of time. During FY06 we built upon the foundation that we laid during FY05 for improved program and financial management. We moved from conducting one public briefing on civil rights-related issues in FY05 to conducting nine briefings during FY06. We completed and approved four civil rights reports in FY06 compared to three in FY05. Five additional reports, all based on FY06 briefings, are on track for completion in FY07. Our briefings and briefing reports tackle current issues of interest to the President, the Congress, and the Judiciary. Our work products are also of interest to federal agencies, and state and local governments.

Included among the important work done during FY06 are the Commission's reports on the reauthorization of expiring provisions of the Voting Rights Act and the Hawaiian Government Reorganization Act of 2005. Important briefings were conducted on affirmative action in law schools and the educational benefits of diversity in grades kindergarten through 12. Our work in the area of education is critically important because providing a quality education to all students that prepares them to face the challenges of tomorrow may be described as the nation's current greatest civil rights challenge.

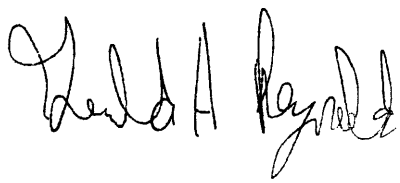
Clearly, significant progress was made in the area of program management. Similarly significant progress was made in the management of the Commission's financial resources. We are proud to report that unqualified opinions on all five financial sheets were received for FY06. This means that, for FY06, the Commission is able to report receiving a clean financial audit. This is unlike last year when no audit opinions could be provided on four of the Commission's five financial sheets.

Also, for FY06, we are able to report that the Commission is providing a qualified statement of assurance that its internal controls and financial management systems

meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Last year, we were unable to give any assurance in this area.

Through much hard-work, and a commitment to making the Commission a model of efficiency for other agencies undergoing reformation, we have achieved the improvements mentioned throughout this annual report.

The Commission is looking forward to a brighter future that includes being a good steward of its resources and serving as the nation's moral compass on civil rights matters.



Gerald A. Reynolds
Chairman
United States Commission on Civil Rights
November 15, 2006

I. PERFORMANCE AND ACCOUNTABILITY REPORT OVERVIEW

The Commission's Performance and Accountability Report (PAR) documents the Commission's improved performance during FY06 in comparison to prior years. During FY06, the Commission achieved its goal of producing more and better quality civil rights work products than during the previous four years. The number of national office briefings increased 800 percent over FY05, and slightly more than a 33 percent increase in the number of briefing reports in FY06 over FY05 was achieved.

Driving much of this success is the Commission re-imagining how it executes its national office program responsibilities. The result is a shift from a time- and labor-intensive model of year-long staff generated research reports, and a shift toward a model that emphasizes the preparation of a greater number of briefing reports utilizing increased Commissioner involvement. These briefing reports rely on papers, written statements, and testimony prepared and presented by experts to the Commission. Changes proposed in FY06, which will be considered in FY07, will formalize objectivity standards for Commission work products. Annual statutory reports, requiring at least one year, continue to be prepared by the Commission. These changes are expected to strengthen the overall credibility of Commission reports and briefings.

The Commission's regional structure, including its SACs, continues to play a part in the Commission's ability to study, investigate, and report on civil rights issues. In FY06 SACs increased by 50 percent the number of reports they completed and approved. In FY06, the Commission integrated SACs into its national office program planning cycle, as well as into its national research project on elementary and secondary school desegregation. This research project should conclude in FY07 and is expected to contribute data to the Commission's FY07 statutorily required annual report on federal civil rights enforcement activities.

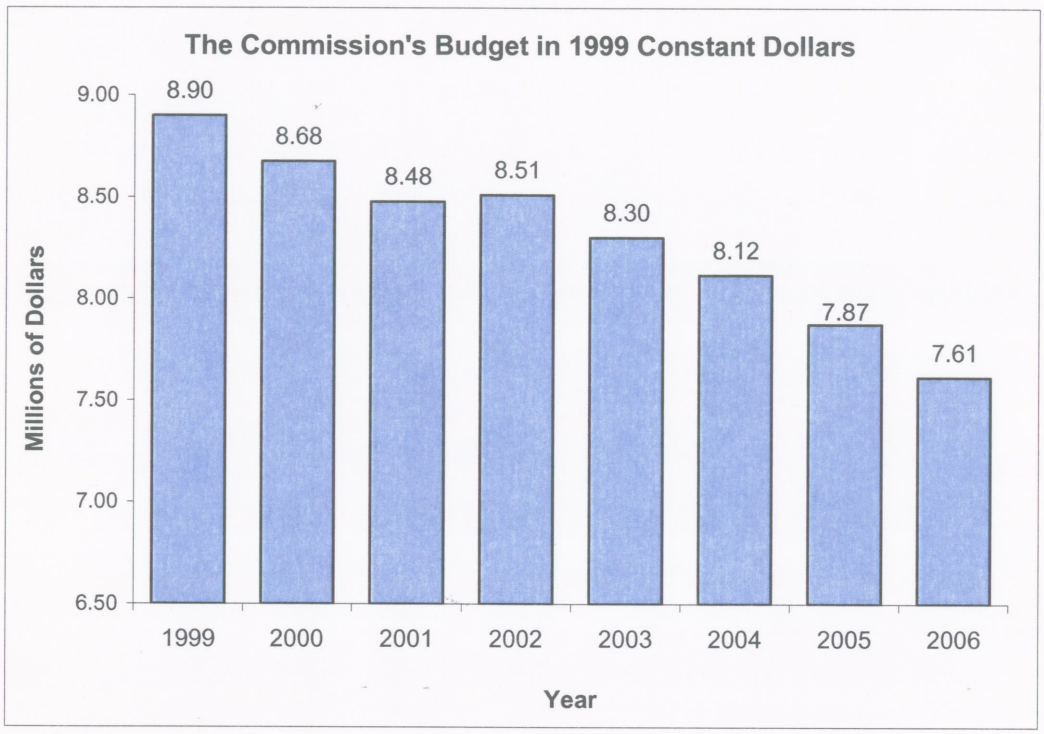
Other recent changes and agency actions that serve to increase the utilization and productivity of the Commission's SACs include:

- increasing FY06 charter activity over reported FY05 levels;
- increasing the number of SAC member appointments over reported FY05 levels;
- issuing new guidance clarifying operating procedures for conducting SAC meetings;
- issuing Commission guidance on waiving SAC travel reimbursement to allow SAC member travel in the absence of funding; and
- establishing race- and gender-neutral selection criteria for FY06 advisory committee member appointments.

Notably, the Commission's success in fulfilling its mission of being the conscience of the nation on civil rights through conducting studies and issuing reports was achieved despite years of decreasing funding and staffing levels. As illustrated in Chart 1, using 1999 as

the base year,[1] the inflation-adjusted value of the Commission's budget steadily decreased from $8.9 million in 1999 to $7.9 in 2005. In 2006, the Commission's budget of $8,932,439 was somewhat smaller than its 2005 budget and, once inflation was taken into account, the Commission's buying power was roughly equivalent to $7.6 million.

Chart 1: USCCR Budget Analysis



Data Source: *Budget of the United States Government, FY2001-2006* (online via GPO Access)

The size of the Commission's full-time staff dropped from 78 full-time equivalent positions in 1999 to 47 in September 2006, and it continues to shrink.

Sixty-one percent of the Commission's FY06 budget is consumed by salaries, benefits and other compensation. Rent, at 18 percent of the budget, is the second most costly budget item.[2] As illustrated in Chart 2, little of the agency's budget remains for non-salary related expenses that directly support the Commission's fact-finding activities. Travel, for example, constitutes only 2 percent of the FY06 budget.

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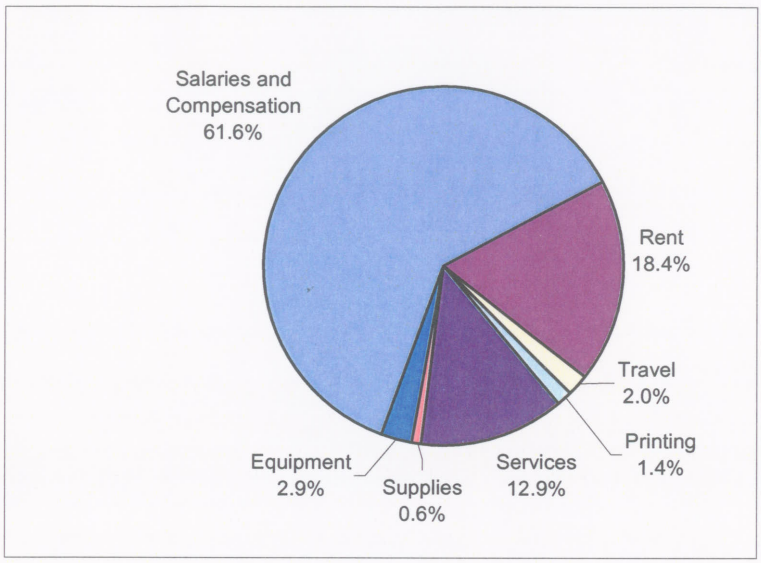
[1] The fiscal year 1999 was the beginning of a three-year period of flat-lined budgets for the Commission.

[2] Included in rent is office space rent at $1,293,682 and other rental and related expenses.

Chart 2: Summary of USCCR FY06 Budget Expenditures [3]



During FY06, though faced with issues created by years of neglect, the Commission demonstrated real progress and achieved several of its goals related to improving its financial management. This success is evidenced by:

- the execution of an agreement with an external accounting services provider to provide accounting services using a system that complies with federal standards;
- the submission of all quarterly unaudited financial statements to OMB for the first time since FY03;
- the timely submission of required Treasury financial reports (e.g., FACTS I and FACTS II);
- the preparation and submission of budgets that integrate the accomplishments of the Commission's goals, and clearly identify related resource needs;
- the creation of written budget reconciliation procedures for the first time in recent memory designed to ensure accurate and complete financial data; and
- the completion of written travel guidance to comply with applicable federal policy to minimize waste and abuse.

Numerous other corrective measures were developed and implemented in FY06 as a result of the FY05 audit findings and recommendations. Other measures resulted from the Commission's work with a financial consulting firm to identify areas were additional remediation was needed, and to develop and implement appropriate remedial measures.

The significant driving force behind these achievements during FY06 was the commitment of the leadership, and many Commission managers and supervisors, to reforming the Commission and eventually making it a model of sound and responsible

[3] Data Source: USCCR FY06 Budget Expenses Report through September 30, 2006.

management practices. To some degree, the nature, scope, and timing of some of the management initiatives was constrained by the realities of the Commission's staffing and funding levels.

These and other achievements, as well as related driving and restraining forces, are discussed throughout the various sections of this report. Generally, this report is divided into three sections:

- Management Discussion and Analysis,
- Performance Accountability, and
- Financial Management and Accountability.

The first section, *Management Discussion and Analysis* (MD&A), provides an overview of the Commission's history, mission, and organizational structure. As discussed in more detail in the *Management Discussion and Analysis*, since its creation in 1957 to objectively and comprehensively investigate, research, and analyze civil rights issues, the Commission's jurisdiction over specific issues has expanded but its resources have not kept pace. The MD&A section also provides an overview of the agency's performance, analyzes the adequacy of its internal control and its compliance with applicable laws, identifies risks to the attainment of its mission and goals, and discusses agency reform initiatives.

The second section, *Performance Accountability*, compares the Commission's planned FY06 performance goals to its actual performance. Actual performance information for the prior four years, when available, is also included. To the extent a goal was not met, this section offers a discussion of the reasons why the goal could not be met. The Commission also describes how unmet goals can be met in the future, and identifies goals that are no longer feasible or are impractical. Finally, this section links performance with budgetary resources and presents agency performance data.

In the final section, *Financial Management and Accountability*, the Commission presents its audit report for FY06, introduces the Commission's financial statements and notes, reviews any areas of weakness and non-compliance with laws and regulations, and describes plans for correcting weaknesses and improving compliance.

II. MANAGEMENT DISCUSSION AND ANALYSIS

A. History

The Commission performs an important role in identifying emergent civil rights trends and evaluating federal agency civil rights enforcement programs. As the only independent agency in the federal government to be exclusively concerned with the full range of issues related to civil rights, the Commission is charged with keeping the President, Congress and the public informed of current civil rights issues, including discrimination or denial of equal protection of the laws because of race, color, religion, sex, age, disability, or national origin, or in the administration of justice.

First created by the Civil Rights Act of 1957,[4] the Commission was reauthorized by the United States Commission on Civil Rights Act of 1983,[5] the United States Commission on Civil Rights Reauthorization Act of 1991,[6] and the Civil Rights Commission Amendments Act of 1994.[7] The Commission was conceived by President Dwight D. Eisenhower and created by Congress in the nation's first piece of civil rights legislation since Reconstruction. In his 1956 State of the Union Address, President Eisenhower renewed the federal government's commitment to civil rights for all, calling on the nation "to have every person judged and measured by what he is, rather than by his color, race or religion." To develop a comprehensive understanding of the challenge inherent to realizing this ideal, the President specifically sought the "prompt" establishment of a bipartisan commission to investigate and report on deprivations of civil rights. Congress established the Commission as a temporary fact-finding agency to investigate and report on deprivations of the right to vote on the basis of color, race, religion or national origin; to study and collect information respecting denials of equal protection of the laws under the Constitution; and to appraise federal laws and policies respecting equal protection. Over the years, Congress has expanded the Commission's jurisdiction. The Commission's reach extends beyond studying and investigating deprivations of rights by reason of race, color, religion, or national origin to include deprivations by reason of sex, age, and disability. In addition, the Commission also examines discrimination in the administration of justice. The expansion of the Commission's jurisdiction is indicative of the view of Congress and the public regarding the important role the Commission has played in the nation's civil rights enforcement.

The Commission will celebrate its fiftieth anniversary in 2007 and over the years its investigations and reports have assisted this nation is its continued efforts to strengthen civil rights protections for all. In fact, many of the Commission's reports, from the first

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[4] Civil Rights Act of 1957, Pub. L. No. 85-315, § 101, 71 Stat. 634 (1957).
[5] United States Commission on Civil Rights Act of 1983, Pub. L. No. 98-183, 97 Stat. 1301 (1983).
[6] United States Commission on Civil Rights Reauthorization Act of 1991, Pub. L. No. 102-167 (1991).
[7] Civil Rights Commission Amendments Act of 1994, Pub. L. No. 103-419, 108 Stat. 4338 (1994) (codified at 42 U.S.C.S. § 1975 (2005)).

one in 1959 on the protection of voting rights, have led to landmark pieces of legislation that have improved the lives of millions of Americans. The Commission's unique impact on civil rights legislation can be measured by its 1983 report on the challenges disabled individuals face in their daily lives. This report was relied upon by Congress in enacting the Americans with Disabilities Act.

Today, Congress and other stakeholders continue to rely upon Commission reports and recommendations. For instance, the Commission's recommendation against passage of the Native Hawaiian Government Reorganization Act of 2005, (S.147) was frequently cited by opponents of the legislation; in articles submitted to the media for publication as well as statements submitted in the Congressional record and made during floor debate. It should also be noted that the Administration relied on the report in formulating its opposition to the Native Hawaiian Government Reorganization Act of 2005.

Despite advancement toward the nation's goal of reducing discriminatory conduct, progress remains to be made, and the Commission will continue to perform the important roles of shining a light on current civil rights challenges, identifying developing civil rights trends, and evaluating federal agency civil rights enforcement programs.

B. Mission

As we approach the fiftieth anniversary of the establishment of this Commission in 1957, it is important to remember that the work of this agency is not yet complete. In his first inaugural address, President George W. Bush observed that "many of our citizens prosper, [but] others doubt the promise, even the justice of our own country." He added that "[t]he ambitions of some Americans are limited by failing schools and hidden prejudice and the circumstances of their birth. And sometimes our differences run so deep, it seems we share a continent, but not a country." The President called on American leaders and citizens to strive for a new unity, declaring, "this is my solemn pledge: I will work to build a single nation of justice and opportunity." The Commission is likewise dedicated to building a single nation of justice and opportunity.

The Commission recognizes that the barriers to unity in America may result, in part, from old bigotries and injustices, but also arise from new conditions and challenges, such as failing schools, wounded families, and fragile community institutions. Either way, the Commission is committed to addressing them. As the federal government's premier civil rights research and evaluation agency, the Commission studies and monitors discrimination, and assesses governmental efforts to enforce the laws protecting all Americans against unlawful discrimination. In other cases, we may be divided by what the President described as "failing schools" and "the circumstances of our birth," by culture and family structure, and by such attributes as one's status as an ex-offender. As the Nation's civil rights watchdog, the Commission examines the ways in which we may be divided by these problems as well. In both of these ways, the Commission works to redeem the promise of a single nation of justice and opportunity.

The Commission addresses discrimination through monitoring and studying civil rights developments, evaluating civil rights enforcement, and investigating and studying allegations of discrimination. At the same time, the Commission serves as a reliable source of information on the status of the nation's broad range of civil rights problems, progress, and legislative proposals. Additionally, this mandate includes investigating allegations of denials of the right to vote and deprivations resulting from a pattern or practice of fraud, and appraising federal laws and policies to assess whether there is discrimination in their enactment or in their enforcement. Its national and regional offices carry out the work of the Commission through a staff of civil rights analysts, social scientists, attorneys, and other personnel.

The Commission serves as a resource for federal, state, and local policy-makers, academic researchers, and others seeking the Commission's expertise on civil rights matters. The regional offices support and coordinate the activities of the Commission's 51 statutorily created State Advisory Committees. The advisory committees serve as the Commission's "eyes and ears" on civil rights issues at the regional, state, and local levels. The advisory committees, along with the regional offices, monitor local civil rights related activities, consult with representatives of state and local governments, and meet with private organizations to advance their fact-finding functions. Through both its national and regional offices, the Commission also serves as a portal to the government for individuals with discrimination complaints and civil rights questions.

The Commission has six statutory mandates:

- investigate charges of citizens being deprived of voting rights because of color, race, religion, sex, age, disability, or national origin;
- collect and study information concerning legal developments constituting a denial of equal protection under the law or in the administration of justice;
- monitor and appraise federal laws, policies and agencies to assess their civil rights enforcement efforts;
- serve as a national clearinghouse for civil rights information;
- prepare public service announcements and advertising campaigns to discourage discrimination and denials of equal protection of the laws; and
- issue reports with findings and recommendations to the President and Congress.

The Commission seeks to achieve this mandate in a manner that both recognizes the full range of civil rights issues facing Americans today and is responsive to the emergence of new issues and challenges in the future. This requires flexibility and creativity, particularly in an era of dwindling resources. The Commission is committed to serving as a model of management excellence, integrity, efficiency and accountability. In light of

the importance of the mission that the Commission serves, the American people deserve no less from this agency.

C. Organizational Structure

The Commission has eight Commission members. Four are appointed by the President and four by Congress. Each member serves a six-year term. The responsibilities of the Commissioners include, for example, establishing Commission policy on civil rights issues, adopting program plans, goals and priorities, and approving national office project proposals. The Staff Director is appointed by the President, with the concurrence of a majority of the Commissioners, and serves as the administrative head of the agency. As such, the Staff Director's duties include defining and disseminating the policies established by the Commissioners to staff, developing program plans, evaluating program results, supervising and coordinating the work of Commission offices, and serving as liaison with the Executive Office of the President, the Congress, and other federal agencies.

In addition to the Office of the Staff Director, the Commission has six operational units and offices in its national office. The key functions of these units and offices are described below, and their organizational placement is represented in Chart 3.

i. *Office of General Counsel.* The Office of General Counsel provides the legal expertise and activity required to conduct hearings and to ensure the legal integrity of Commission products. The General Counsel is the agency's chief legal advisor on a range of legal issues and the office represents the agency in administrative hearings and other matters. With 15 employees in 1999, by September 2006 this office had three attorney employees and no administrative support personnel.

ii. *Office of Civil Rights Evaluation.* The Office of Civil Rights Evaluation provides the subject matter, critical, and analytical expertise required to research and write evaluations of civil rights issues. The Office monitors the activities of numerous federal agencies as well as national and regional civil rights trends. Based on information gathered, this office develops project proposals, carries out projects, and responds to inquiries from the public and the Commissioners. It also receives, researches, analyzes, and refers civil rights complaints. OCRE's staffing decreased over the course of one year; dropping from a staff of nine in September 2005 to a staff of six in September 2006, including administrative support personnel.

iii. Office of Management. The Office of Management provides administrative support to the Commission that includes procurement, library, budget and finance, and human resources support services. This office also manages the Commission's information technology resources and copy center.

Employing 14 in 1999, the divisions and offices composing the Office of Management employed twelve by the end of FY06.

iv. Congressional Affairs Unit. The Congressional Affairs Unit serves as the liaison with Congress, responding to requests for specific information and ensuring the distribution of the Commission's studies and reports to all members. The Unit monitors the legislative activities of Congress and provides support in the conceptualization and production of studies and reports with information gathered via their monitoring activities. Because of budgetary challenges, all positions in this unit are currently vacant. Since 1999, the two staff positions designated for this unit have remained vacant.

v. Public Affairs Unit. The Public Affairs Unit serves as the public voice of the Commission and ensures that the American public knows the activities and the publications of the Commission. The Unit coordinates and carries out such activities as briefing reporters and the Commissioners on civil rights issues, holding press conferences, issuing press releases, arranging interviews with the Commissioners, and monitoring press activity regarding the Commission and civil rights issues. The Unit deals directly with the public in responding to inquiries and by attending meetings of civil rights organizations as speakers. Because of budgetary challenges, all positions in this unit are currently vacant. While three employees staffed this unit in 1999, the unit has been vacant since 2004.

vi. Regional Programs Coordination Unit. The Regional Programs Coordination Unit ensures that the individual regional programs are sufficiently coordinated across regions and with headquarters. The Unit ensures that headquarters support and guidance are provided as necessary. The Unit provides support in the finalization and publication of headquarters-developed reports, regional reports and studies, as well as in the announcement of hearings. Because of budgetary challenges, all positions in the regional coordination unit are currently vacant. In 1999, the six regional offices, combined, had a staff of 26 in 1999; however, as of July 2006, its employees numbered 16.

A director, one or more civil rights analysts, and/or other administrative personnel staff each of the Commission's six regional offices. Because of budgetary challenges, some of these positions have been vacant for a year or more. They coordinate the Commission's operations in their regions and assist the State Advisory Committees in their activities.

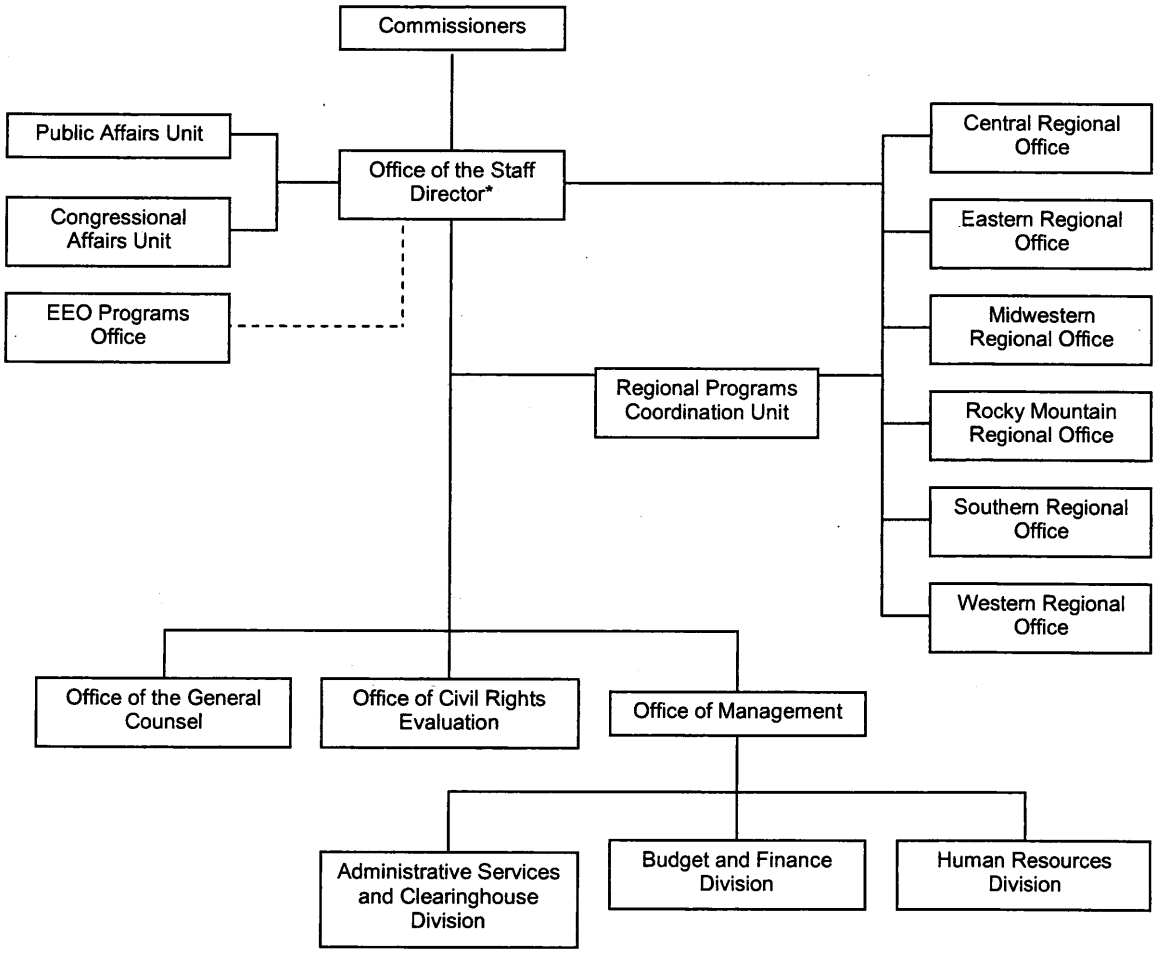
vii. Equal Employment Opportunity Programs Office. This office is responsible for the overall management of the Commission's EEO complaint system. This system affords applicants for employment and employees of the Commission who believe that they have been discriminated against on the basis of race, color, age, religion, national origin, sex (including sexual

harassment), physical or mental disability, or reprisal in connection with EEO-related activities, a means of review and appeal through which to seek appropriate relief. This office currently has no full-time staff; it is staffed by a member of the Office of Civil Rights Evaluation as a collateral duty.

As the Commission's spending power has dwindled, its staff and resources have been similarly diminished.

Chart 3: Organizational Structure

US COMMISSION ON CIVIL RIGHTS



* Although current agency regulations describe an "Office of the Deputy Staff Director," the Commission has eliminated that office, and the position of Deputy Staff Director has been transferred to the Office of the Staff Director.

D. Performance Highlights: Performance Goals, Objectives, and Results

The Commission is continuing to do more with less. In FY06 the agency's budget decreased slightly to $8,932,439 and was actually worth $7.6 million after adjusting for inflation. Nonetheless, during FY06, the Commission executed its mission as reflected in its six strategic plan goals.[8] These goals call for the Commission to:

- Evaluate and identify ways of improving the effectiveness and efficiency of federal enforcement of civil rights laws and policies.
- Study allegations of denials of civil rights and equal protection of the laws, and illuminate the causes, the consequences, and the possible remedies related to discrimination based on race, color, religion, gender, age, disability, national origin, or in the administration of justice.
- Promote greater public awareness of civil rights protection and responsibilities.
- Assist members of the public who seek information and advice about protecting their civil rights.
- Enhance the unique network of 51 State Advisory Committees (SACs), which serve as the Commission's "eyes and ears," in addressing regional, state, and local civil rights issues.
- Improve the management, accountability, and productivity of the Commission.

The Commission's unique impact on the course of civil rights policy is demonstrable proof that its program is relied upon, available to stakeholders, and objective. The agency issued a report on voting rights enforcement and reauthorization of the expiring provisions of the Voting Rights Act (VRA) that comprised the Commission's annual statutory report to the President and Congress for FY06. Based on the Commission's historical and contemporary work on voting rights, members of the Commission were invited to testify before congressional committees on the effects of the expiring provisions of VRA and whether the need exists for continuing these provisions.

The Commission's report on the Hawaiian Government Reorganization Act of 2005, and the recommendation that the bill be rejected, was influential with the White House and members of Congress. On June 8, 2006, the Senate rejected a motion to bring the Native Hawaiian Government Reorganization Act of 2005 to the floor for a full vote. The proposed legislation required 60 votes to reach the Senate floor, but only secured 56, with 41 voting against. Key policymakers opposed to the legislation, including Senator Lamar Alexander and the Assistant Attorney General for Legislative Affairs in the Department of Justice, cited the report released by the Commission, which recommended against

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[8] The Strategic Plan was adopted in 1997 and is currently being revised to include goals that are not activity-based but reflect the broader vision and purpose of the Commission. The new Strategic Plan will also include appropriate outcome, efficiency, and output performance measures instead of primarily relying on output measures.

passage, saying the proposed legislation "would discriminate on the basis of race or national origin and further subdivide the American people into discrete subgroups."

The below charts provides five-year trend data on the Commission's national office fact-finding activities. It illustrates that during FY06 the Commission's national office productivity increased despite staff shortages in the two program offices responsible for these activities. The number of briefings significantly increased over FY05.

Chart 4: National Office Activity for a 5-Year Period

	FY02	FY03	FY04	FY05	FY06
Reports Completed	2	4	4	3	4
Hearings	1	0	0	0	0
Briefings	3	1	4	1	9

Project costs have, generally, remained within the same range over the past three years. The bulk of the Commission's budget and its project costs are staff salaries and benefits, and overheard costs such as rent as a result of years of a flat-lined budget and recent funding decreases.

Chart 5 : Annual Project (hearings, briefings, reports) Costs

	Initial Estimated Project Costs (Total)	Revised Estimated Project Costs	Actual Program Cost
FY06	Unavailable	Unavailable	Reliable Cost Data is Currently Unavailable [9]
FY05	$ 2,550,160.00	$ 560,309.00	$ 779,013
FY04	$ 683,157	$ 65,172	$ 688,573
FY03	Not Available	Not Available	Not Available

Further, to ensure that the research, information, and reports generated by agency program activities remain available to stakeholders, the Commission conducts almost monthly fact-finding events that are open to the public and are captured in substantive reports. The Commission's national office completed nine civil rights briefings which included local, regional, and national experts on civil rights law and policy, as well as advocates and other stakeholders. These briefings, and their related reports, promote greater public awareness of civil rights protection and responsibilities, and provide useful information to policy-makers. Copies of agency civil rights reports are mailed to members of Congress, the President, and others. Commission briefing reports and State Advisory Committee reports are made available to the public via the Commission's website and library soon after completion.

[9] The Commission has not reported its end-of-year project cost data due to concerns about its accuracy and reliability. These concerns are based on problems related to proper project coding and monitoring at the office and division levels. These problems have been addressed by creating accountability for office and division managers.

The Commission is proud to have approved a Memorandum of Understanding with the University of Maryland, the Thurgood Marshall Law Library, in FY06 that will allow the agency to continue and, indeed, expand the public's access to its reports and studies.[10] This agreement provides public access to the Commission's historical records and publications, and offers scholars an opportunity to examine the important works more closely. More than 280 titles are currently made available on the internet through this agreement.

Beyond informing the public and scholars, the Commission continues assisting citizens by serving as a clearinghouse for complaints and making timely and appropriate referrals to federal and state agencies with enforcement authority. The national office, on average, receives, logs, reviews, and refers more than 3,000 civil rights complaints annually from members of the public and Congress. In FY06, 2,945 complaints were received compared to 3,006 complaints in FY05 and 2,988 complaints in FY04.

Chart 6: National Office Complaint Referrals					
	FY02	**FY03**	**FY04**	**FY05**	**FY06**
Complaints	4,132	3,714	2,988	3,006	2,945

Complaints most often involve discrimination in the administration of justice and employment, law enforcement misconduct, and the rights of institutionalized persons. Other types of complaints received and referred by the Commission include discrimination in housing, education, federal programs, voting, and public accommodations, violence or threats of violence based on prohibited animus, and human rights violations. More than 20 federal departments and agencies receive referrals from the Commission including the departments of Agriculture, Justice, Education, Housing, Labor, State, Transportation, and Defense. During FY07, the Commission plans to explore ways of working in partnership with other federal agencies to use its complaint referral system to identify trends and be more proactive in spotting emerging patterns of discrimination. This should allow the Commission, as well as other federal agencies, to target their civil rights resources to effectively respond to and prevent civil rights-related problems.

The Commission took concrete steps toward improving its information technology capacity in late FY06, including enhanced IT security and improved compliance with applicable laws and regulations. By investing $56,000 in FY06 for Federal Information Security Management Act (FISMA) compliance, and mandates issued by OMB through M-06-15 and M-06-16, the agency was able to resolve four longstanding deficiencies concerning:

[10] US Commission on Civil Rights, meeting, Washington, DC, Aug.18, 2006, transcript, pp. 165-166. A notational vote was taken in September 2006 reaffirming the August 2006 action.

- creating a written agreement with program officials on security controls for computer security awareness and residual risk;
- approving a security awareness plan by management;
- requiring confidentiality and security agreements for employees assigned to sensitive work; and
- providing security training to IT staff.

The agency also hired, though late in the fiscal year, an IT specialist to create a viable IT program, including ensuring the Commission's compliance with applicable laws and regulations.

Regional operations showed slightly more activity in FY06 than anticipated based on the unforeseen availability of a small amount of money for SAC travel. Despite ongoing resource concerns, the regional offices handled 799 citizen complaints, and supported 24 SAC planning meetings and 15 briefings. Regional office staff completed, and the SACs approved, four civil rights reports. During FY06, the Commission resumed chartering SACs and increased the number of SACs chartered over that of the previous year. Beginning in FY07, the Commission will concentrate on eliminating its backlog of SACs with expired charters. Doing so will allow these advisory committees to lawfully operate and fulfill their role of advising the Commission of state, local, and regional civil rights issues. FY07 resources will, however, influence the extent to which travel and fact-finding activities can be undertaken by the SACs. In addition, data collection and reporting requirements were added in FY06 that provide a more complete representation of SAC and regional office activities for annual performance and accountability reporting. This includes quarterly and end-of-year reporting on complaint processing, and chartering and appointment activity.[11]

Chart 7: Advisory Committee Activity Over a 5-year Period

	FY02	FY03	FY04	FY05	FY06
SAC Planning Meetings	Not Currently Available*	Not Currently Available*	93	36	24
SAC and Regional Staff Reports	4	4	4	2	4
Briefings/Forums/Fact-Finding Meetings	Not Currently Available*	Not Currently Available*	30	11	15
SAC Charters	Not Currently Available	Not Currently Available	Not Currently Available	3	4
SAC Appointments	Not Currently Available	Not Currently Available	Not Currently Available	38	66

*Previous Commission data collection for GPRA reporting did not disaggregate the various types of SAC meetings.

[11] Regional directors and the chief of RPCU have access to SAC charter and appointment activity through the GSA Federal Advisory Committee Act database. In previous years, the Commission did not request that this information be routinely consolidated and provided to the national office for annual performance reporting.

E. Analysis of Internal Controls, Systems, and Legal Compliance

The Commission has demonstrated a strong commitment to improved financial management since its December 2004 leadership transition. In early 2005, this commitment was evidenced by a vote to implement approximately 50 GAO management initiatives aimed primarily at improving financial management and creating agency accountability. Many of these reform initiatives were developed and implemented during FY05 but were not in place for a sufficiently long enough period to have a demonstrable impact on the FY05 audit. Additional reforms were implemented during FY06, and others will be implemented in FY07 as the agency continues monitoring and evaluating it internal controls.

As a result of these ongoing efforts, the Commission reports that in FY06 it resolved the majority of the issues identified in FY05. For example, the agency created written procedures for reconciling the agency's budget to the Status of Funds report, and ensuring the completeness and accuracy of financial information and reports received from its accounting services provider.

Unlike FY05, the Commission's FY06 accounting services provider, the General Services Administration (GSA), Heartland Finance Center, delivers a broad range of financial reports and services, and internal controls, including:

- maintaining the agency's standard general ledger;
- using a system (Pegasys) that is compliant with federal government standards;
- generating timely required financial reports for the Commission; and
- requiring appropriate documentation of financial transactions prior to payment.

The Financial Management Information System (FMIS) used by GSA allows the Commission to view and retrieve data to reconcile financial reports. Reports that are made available in the system for review and reconciliation include trial balance, organization status, and prompt payment/payment of interest. Additional reports are also provided by the accounting services provider, either in hardcopy or electronically, to the Commission's budget office for review and reconciliation. These reports include cash, open item aging, and budgetary execution and resources (SF-133). As a result, the Commission no longer uses "cuff records" to manage its financial records and inform its decision-making.

The Commission also successfully resolved problems related to inadequate financial reporting to the Department of Treasury and OMB. Unlike in previous years, in FY06, the agency filed all its quarterly unaudited financial statements with OMB and reports required by Treasury. To keep the Commission in good, its accounting services provider prepares and enters the following reports required by Treasury and OMB:

- Statement of Transactions (SF-224, monthly),
- FACTS II and FACTS I (annually),
- FACTS II (quarterly),
- Accountability of Tax Dollars Act Financial Statements,
- Year-end Closing Statement (SF-2108), and
- Receivables Due to the Public.

The Commission's Budget and Finance Division is responsible for reviewing these reports for accuracy prior to their submission.

To identify Prompt Payment Act violations the Commission now receives and reviews weekly Prompt Payment Reports from GSA. It also receives and reviews Daily Invoices On-hand Reports that are used to compare agency internal transaction logs to GSA information to avoid prompt payment violations. In FY06, the sampling conducted during the FY06 independent financial audit found no Prompt Payment Act violations. This reflects the significant effort the agency expended during FY06 to decrease the amount of unnecessary costs for goods and services it incurs. In FY03, a sampling of non-salary related transactions reveals that the Commission paid $653 in interest and late fees.[12]

Continuing its drive toward becoming a changed agency, during FY06 the Commission worked with an external consulting firm to assess the sufficiency of its internal controls and identify areas in need of improvement. The assessment covered the fiscal year as of June 30, 2006 and followed the assessment process outlined in Appendix A of OMB Circular A-123. The consultation also included the development of remedial measures sufficient to correct any identified material weaknesses, reportable conditions, and deficiencies.[13] Consequently, to ensure the integrity of the time and attendance function, the Commission created a control to compensate for an NFC design flaw that allowed the timekeeper to record his/her own time into the system. The control created requires the director of human resources to review and approve the timekeeper's time and attendance prior to entry into the NFC system, and requires the director of human resources to verify the accuracy of the timekeeper's entry in the NFC system. The Commission also now requires that a Certification of Receipt form be completed by all Commission staff receiving a credit card or calling card. This safeguards against card theft and ensures that

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[12] The FY03 Prompt Payment amount is taken from a March 2005 GAO report, *U.S. Commission on Civil Rights: Deficiencies Found in Financial Management and Internal Control,* GAO-05-68R (Government Accountability Office: March 2005), p.19.

[13] A "material weakness" is a reportable condition, or combination of these conditions, that makes it likely that a material misstatement in the financial statements, or other significant financial report, will not be prevented or detected. A "reportable condition" is an internal control deficiency, or combination of deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process or report external financial data reliably such that it is likely a misstatement on the financial statements or other significant financial report (that is more than inconsequential) will not be detected or prevented. A "deficiency" exists when the design or operation of the internal control does not allow the agency to timely detect or prevent a financial misstatement.

each employee understands that the cards are for official use only. Other policies and processes were created and proposed as a result of this external assessment process.

i. Federal Financial Management Improvement Act (FFMIA) Compliance

Beginning in late FY06, with the creation of reconciliation procedures, the Commission is reviewing and reconciling budget information provided by its accounting services provider. These detailed written procedures allow the agency to determine the accuracy and completeness of each of the financial reports prepared and provided by its accounting services provider. The procedures, developed by an experienced consulting firm, allow the Commission to review, understand, and reconcile reports prepared by its accounting services provider to ensure their accuracy and completeness. A detailed description of the procedures and documents used by GSA to report the Fund Balance with Treasury was also developed by the consultants.

Likewise, the Commission resolved another reported non-compliance issue during FY06 by receiving and reviewing GSA's SAS 70 report on its internal controls.[14] The Commission routinely has access to the most recent SAS 70 report of NFC (its payroll services provider) via the vendor's Web site. A review of these reports allows the Commission to understand the providers' internal controls, including the suitability of their design for achieving their intended purpose. To complement GSA's controls, the Commission developed controls at the agency level such as:

- limiting access to the Pegasys and FMIS systems to authorized employees and their computers;
- requiring that transactions be authorized and appropriately documented; and
- establishing procedures to review and reconcile budget information and financial reports.

Having created budget reconciliation procedures and satisfied the SAS 70 report requirement, only one FFMIA issue that was identified during the Commission's work with its consultant in FY06 remains. That is, ensuring the assessment of its financial management systems to ensure compliance with OMB Circular A-127. See Appendix A, Chart A-1. The Pegasys System Security Plan was updated its in September 2004, a Security Assessment was performed in September 2004 as a part of its certification and accreditation process, and its Contingency Plan was updated in December 2005. The Commission, however, has yet to assess its systems that are involved in financial management to ensure their security and compliance with OMB Circular A-127.

In addition, by the end of FY06, the Commission had resolved all FFMIA non-compliance issues identified in its FY05 audit report by implementing all seven of its planned corrective measures.[15] See Appendix A, Chart A-2. In FY05, the

[14] The Commission uses two external service providers to process transactions and host data, the NFC for payroll and GSA for accounting services. As a result, the Commission is required to examine information on the design and operating effectiveness of the controls of these service providers.

[15] The non-compliance issues were 1) the external accounting services provider's use of a financial

Commission's external accounting services provider used a system based on small business accounting and not the federal financial reporting requirements, did not conduct an internal control review (i.e., SAS 70 audit) of its controls, and did not record financial transactions using the Standard General Ledger (SGL) at the transaction level.

These conditions were addressed during FY06 by the Commission retaining GSA as its accounting services provider because it uses the Pegasys system that fully complies with JFMIP standards. As noted earlier, through FMIS, the Commission has online access to its account information and no longer uses cuff records for financial decision-making. The result is more accurate and timely financial data.

ii. Federal Information Security Management Act (FISMA) Compliance

The ability of the agency to resolve one-third of its reported FY05 FISMA non-compliance issues during FY06 is astounding in light of the fact that the Commission did not have an information technology specialist for most of the year. In FY05, the Commission reported twelve areas of weakness but, by the end of FY06, the agency resolved four of these issues by:

- creating a written agreement with program officials on security controls for computer security awareness and residual risk;
- approving a security awareness plan by management;
- requiring confidentiality and security agreements for employees assigned to sensitive work; and
- providing security training to IT staff.

With staffing currently in place, and with access to an external IT consultant, the Commission created a timetable for resolving its FISMA weaknesses by FY09, financial resources allowing. Under the current timetable, four will be eliminated during FY07, one will be eliminated during FY08, and the final three will be eliminated during FY09. Appendix A, Chart A-3, lists the specific FISMA actions that will be resolved between FY07 and FY09. As the Commission continues assessing and upgrading its computer technology and information systems new deficiencies may well be identified for which appropriate remedial actions and a timetable will be developed.

iii. Federal Managers' Financial Integrity Act (FMFIA) Compliance

Six issues, though none constituting material weaknesses, were determined to exist as of June 30, 2006 based on the Commission's OMB A-123 assessment. This assessment identified six internal control deficiencies including the lack of documentation of the

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management system that was based on small business accounting and not federal financial reporting requirements, and 2) the failure to record financial transactions using the SGL at the transaction level. These FFMIA non-compliance issues resulted in more specific conditions: 1) the Commission's use of cuff records to manage its financial records, 2) the manual loading of payroll information into the general ledger, and 3) the receipt of monthly financial statements in an Excel file rather than Commission having access the financial management system (NetSuite) used by its accounting services provider.

budget call review process, the lack of some supporting documentation for procurement transactions, the lack of several required documents supporting travel transactions, and the lack of adequate controls over the reporting of time and attendance for the timekeeper.[16] The other deficiencies were the absence of appropriate controls over the issuance of credit cards and telephone calling cards; and the absence of complete information on Time and Attendance (T&A) Sheets.

Between June 30, 2006 and September 30, 2006, the Commission rapidly moved to take remedial actions to resolve five of these six deficiencies by:

- finalizing formal policies and procedures for the budget execution and formulation, including the budget call process;
- retaining contract workers to assist in eliminating a backlog of filing that made supporting documentation for some procurement and travel transaction unavailable upon request;
- protecting the integrity of time and attendance reporting by requiring that the director of human resources review and approve the timekeeper's time and attendance information before and after it is placed into the system to compensate for a design flaw in the NFC payroll system;
- instructing the budget office to strengthen adherence to existing agency controls over travel transactions, including maintaining travel files that include supporting documentation;
- re-enforcing ASCD's responsibility for using existing document control procedures to identify and resolve poor file management and document control practices; and
- instructing responsible officials to use Certification of Receipt Forms to ensure that only authorized personnel receive official credit and calling cards.

To avoid abuse of official credit and calling cards, the Commission plans to review and revise (as necessary) existing internal policies and to reinforce to all staff that calling cards and credit cards are for official use only.[17] The remedial measures to resolve the problem of missing and incomplete data on Time and Attendance (T&A) Sheets will be implemented in early FY07. These measures call for revising guidance on completing time sheets, and reviewing agency review and approval responsibilities. Both will be implemented during FY07.

During FY06, the agency also created a mechanism for revising an outdated FMFIA assessment tool; decreasing reported disinterest by office and division heads in assessing risk; and increasing manager and supervisor participation in the development and implementation of corrective actions at the office and division level. The Commission's

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[16] They are considered "deficiencies" because the design or operation of the internal control does not allow the agency to timely detect or prevent a financial misstatement.

[17] Administrative Instruction 3-8, *Government Travel Charge Card Program*, issued Jan. 22, 2003, currently notifies Commission cardholders that the card is for official use and that card use must comply with federal travel regulations. It does not require employees to sign a written receipt upon taking delivery of the card.

Senior Management Council will review the sufficiency of its current FMFIA assessment tool, which was adopted in the 1980s, and propose revisions. In addition, by using the Senior Management Council, the agency expects to increase the investment of office and division heads in crafting workable solutions to management weaknesses, and create investment in the successful implementation of these solutions. Use of the council also provides a formal setting for performing periodic agency evaluations.

The agency's IT specialist and budget staff will lead an assessment of the Commission's information systems (financial, non-financial, and mixed). Included in this process is an assessment of agency computer systems that interface with the financial system used by GSA pursuant to OMB Circular A-127, *Financial Management Systems*. GSA, as the Commission's accounting services provider, has the bulk of the financial systems to be assessed. Theses systems were assessed as reported in GSA's FY06 SAS 70 report. These actions are aimed at resolving OMB Circular A-127 non-compliance issues. Appendix A, Chart A-4, lists the status of planned and implemented corrective measures related to FMFIA issues identified as of June 2006.

Processes and policies were put in place during FY06 to resolve the five reported FY05 audit FMFIA weaknesses. The Commission successfully reduced its reliance on the manual transmission and data entry, both of which increase the likelihood of error, in FY06. This reduction came as a result of using an accounting system that:

- integrates the National Finance Center (NFC) payroll information by uploading payroll information from a disk instead of manually entering the data into the accounting system;
- integrates the disbursement (payment) system with the accounting system and removes multiple layers of processing; and
- integrates travel related payments.

With its FY06 accounting services provider, the Commission also decreased the number of layers required to make a disbursement or payment. In FY05, the Commission submitted each invoice to its external accounting services provider who manually entered the information into its Netsuite accounting software. This software was not integrated into the disbursement system used by the Commission. Therefore, in order for a disbursement or payment to be made, a copy of the invoice was also submitted to GSA. Once received, GSA manually entered the payment information into its disbursement system for the issuance of a check or an electronic transfer of funds. By using GSA Heartland Finance Center for its accounting and disbursement services, the Commission streamlines the process and reduces the likelihood of accounting and payment errors.

The Commission's Web-based travel management system is also integrated with the accounting system. This means that the travel system transmits travel data and miscellaneous travel charges to GSA's Pegasys accounting system, thereby, further eliminating manual transmission of data and related errors. Other improvements in the Commission's management of travel transactions were made during FY06. The Commission issued a comprehensive, written travel policy to ensure compliance with *Federal Travel Regulation* (FTR) and to eliminate waste and abuse. The policy, formalized

in new AI 3-14, *Official Travel*, establishes that an approved travel authorization is necessary prior to creating any travel obligations, establishes that vouchers must be submitted within 5 working days following completion of travel, and establishes that all Commission travelers require adequate documentation of travel expenditures. Furthermore, it establishes criteria for determining what constitutes an allowable travel expense, and creates review, approval, certification authority, and related procedures. When followed, AI 3-14 minimizes the risk of waste resulting from improper and late travel payments and, importantly, allows the agency's mission to be accomplished in the most economical and effective manner possible. Overall, this policy, and the Commission's Web-based travel management system ensures that travelers understand agency and federal travel requirements, and resolves any uncertainty about required travel documentation.

Notable improvement has also occurred in the agency's procurement management as a result of the creation of need controls, including written guidance and internal forms to document transaction files. Because of documented inadequacies, the Commission developed a procurement guide that services two goals:

- reasonably ensuring that the Commission's procurement is conducted in a manner above reproach and, except as authorized by statute or regulation, with complete impartiality and with preferential treatment for none; and
- reasonably ensuring, by providing the basics for the Commission's procurement activities, that agency procurement is conducted efficiently and economically.

The procurement guide provides information on agency delegations of authority; duties and responsibilities of the Commission's Contracting Officer(s), procurement staff, and other agency personnel charged with complying with the Federal Acquisition Regulation (FAR) as a part of their involvement in the acquisition process; basic agency procurement procedures and work flow; and copies of forms, worksheets, checklists, and other resources commonly used during Commission procurement actions. Consistent use of the procurement guide, including its document control forms and resource material, should ensure that transactions are appropriately competed, properly documented, and approved and authorized. Ongoing staffing issues during FY06 limited the effective application and monitoring of these controls.

Changes in other areas also occurred during FY06 as reflected in Chart 8; in particular, in providing timely, complete and reliable information for decision-making. Beginning in FY06, the Commission benefited from increased internal accounting control and improved electronic data exchange through its conversion to GSA as its accounting services provider. Financial data is more accurate and timely as demonstrated by the timely submission of quarterly unaudited financial reports, and the quality of the financial reports provided by its accounting services provider.

Monthly project cost information were generated and distributed during FY06, however, by monitoring these reports it became evident that offices were not always using the codes appropriately and in a manner consistent with internal policies governing their use. It is expected that the Commission's monthly reporting of program activity costs based

on its project code system will improve with more consistent and appropriate use of the assigned project codes by program office staff.

Policies and procedures adopted during FY06 create formal guidance on the reconciliation and reporting of financial data, and cross-training on budget functions increased redundancy and created check and balances. Formal policies on budget formulation and execution were issued in FY06 that provide general guidance of the Commission's budget office on its duties and responsibilities.[18] The role of program office staff in providing information on planned program activities, including estimated costs, their anticipated outcomes, and their relationship to the Commission's strategic goals and objectives, is also discussed in these policies. These policies also create information sharing and increase transparency about the agency's budget process.

Chart 8: Status of FY05 FMFIA Corrective Measures

	Weakness First Reported	First Target Correction Date	Status	Second Target Correction Date
1. Provide Information that is Timely, Complete, and Reliable for Decision-making.	FY04	FY06	Implemented	N/A
2. Integrate Electronic Data Exchange	FY04	FY06	Implemented	N/A
3. Create Internal Controls and Accountability.	FY04	FY06	Implemented	N/A
4. Increase Transparency and Information Sharing.	FY04	FY06	Implemented	N/A
5. Monitor Financial Operations, and Conduct Periodic Reviews and Reconciliation of Information.	FY04	FY06	Implemented	N/A
6. Create Redundancy and Checks & Balances.	FY04	FY06	Implemented	N/A

iv. Accountability of Tax Dollars Act of 2002

In a significant turnaround when compared to previous years, quarterly unaudited financial statements for the Commission were submitted for each quarter during FY06, and an annual financial audit was completed for FY05 and FY06. The Accountability of Tax Dollars Act of 2002 requires agencies to prepare and submit to Congress and the director of OMB an audited financial statement beginning in FY02. OMB waived the requirement for financial statements from the Commission for FY03 but did not do so for the Commission in FY04. Under the prior leadership, the Commission failed to obtain an

[18] Administrative Instruction 3-1, *Performance Budget Formulation* (issued Jan. 2006); Administrative Instruction 3-2, *Budget Execution*, (issued Jan. 2006, revised and reissued Oct. 24, 06).

audit report on the Commission's FY04 financial statements, as well as submit quarterly financial statements for FY04 or FY05. In October 2006, the Commission received the overdue FY04 audit report. Commission, having already identified the reportable conditions noted in this two-year-old report, has already executed corrective measures intended to resolve all eight noted conditions.

The agency has completed financial audits for two consecutive years. However, the agency only recently distributed its FY04 audit report because it was not received until October 2006. No material weakness or reportable condition related to the Accountability of Tax Dollars Act of 2002 is reported for FY06. Nonetheless, to improve its efficiency, the Commission plans to complete the only remaining corrective action proposed in FY05 that was not implemented in FY06. See Chart 9 below.

Chart 9: Status of FY05 Accountability of Tax Dollars Act Corrective Actions

	Weakness First Reported	First Target Correction Date	Status	Second Target Correction Date
1. Engage in Early Acquisition Planning to Ensure Sufficient Time to Select an Auditing Firm and to Conduct the Audit	FY05	FY06	Implemented	N/A
2. Create a Formal Checklist for the Budget and Finance Division to Use to Prepare and Produce Documents Before and During the Annual Audit	FY05	FY06	Ongoing	FY07
3. Work With the Accounting Services Provider to Ensure Completion and Submission of Quarterly Unaudited Financial Reports and Audited Financial Statements	FY05	FY06	Implemented	N/A

As discussed throughout this report, clear progress was made during FY06 on reversing the Commission's history of poor financial management. Evidence of this is reflected in the Commission's:

- new policies and procedures that were developed and implemented to create improved internal control and guarding against waste and abuse;
- use of an accounting system that meets applicable federal standards;
- development and use of written reconciliation procedures to ensure the accuracy of information provided by its accounting services provider;
- reduction in delinquent payments and the related savings on late fees and interest;
- hiring an information technology specialist to execute the agency's FISMA obligations;
- reduction in the number of FISMA non-compliance issues during FY06 and the creation of a timetable for resolving the remaining FISMA issues;
- use of external reviews and assessments of the agency's financial management to identify areas requiring concentrated attention;

- improvement in the quality and timeliness of it external financial reporting to Treasury and OMB;
- improvement in its internal financial reporting of financial information for agency decision-making;
- improved documentation of procurement and travel transactions;
- creation of a Senior Management Council to conduct overall assessments of agency internal control assessments under FMFIA and propose remedial measures, and create increased transparency and communication;
- training of staff performing key functions; and
- cross-training of staff to ensure key functions continue in the event of short-term absences.

These successes were hard won. They were achieved despite ongoing staff shortages, gaps in staff skill sets in some offices and division, and the lingering effects of an agency culture that did not consistently hold all personnel accountable for performance and results. As with all reforms, the Commission plans to monitor the effectiveness of these policies, practices, and procedures to ensure their appropriateness as controls over agency financial management, and adjustments will be made as necessary to achieve the desired results.

iv. Management Assurances

The Commission conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguards for assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, as of June 30, 2006, the Commission identified one material weakness in its internal control over financial reporting. Other than this material weakness, failure to comply with FISMA and FFMIA, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

Statement of Qualified Assurance

The U.S. Commission on Civil Rights' management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Commission is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of two material weaknesses and two reportable conditions as of September 30, 2006. The details of the exception(s) are provided in the enclosed audit report.

The Commission conducted an assessment of the effectiveness of internal control over its operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control.* Based on the results of this evaluation, the Commission identified three instances of non-compliance in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006. Other than the exceptions noted in the enclosed audit report, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.

In addition, the Commission conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Commission identified one material weakness in its internal control over financial reporting as of June 30, 2006. Other than the exception noted, compliance with legal requirements, more specifically FFMIA and FISMA, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

Kenneth L. Marcus
Staff Director
United States Commission on Civil Rights
November 15, 2006

F. Possible Effects of Existing Risk, Demands, and Conditions on Commission Goal Attainment

Several factors may affect the ability of the Commission to achieve its goals including reauthorization, emerging civil rights issues, and adequate funding and staffing levels. Emerging issues, or unanticipated issues, may require a shift in Commission program and spending priorities, and the reallocation of its human capital resources. Examples in FY06 of the use of an emerging issues briefing is the agency's September 2006 briefing on the impending division of the Omaha school district by race.

Legislative and executive branch initiatives with civil rights impact may also require Commission studies and analyses. These studies or analyses provide lawmakers and the public information on the specific effect of an initiative on the groups delineated in the Commission's statute. In the continued absence of a staffed congressional affairs unit the Commission's capacity to track, analyze, and comment on civil rights-related legislative proposals continues to be drastically reduced.

In September 1996, the Commission had 93 full-time staff members, including commissioner assistants. The two primary national program offices, the Office of Civil Rights Evaluation (OCRE) and the Office of General Office (OGC), account for 27 of these positions. As of September 30, 2006, there were 47 full-time Commission employees; nine were employed by OCRE and OGC. Of the nine employees OCRE accounted for six and OGC for three. In other words, the Commission's two programmatic offices sustained staff reductions of more than half over the last decade as a result of budget cuts.

In addition, the ability to effectively carry out its public awareness function will continue to be hindered by the absence of public affairs staff to issue press announcements, create media campaigns that support Commission fact-finding activities, and propose and oversee public service activities. This office has been vacant since 2004.

The ability of the Commission to engaging in joint national office and SAC reports and research projects may provide an opportunity to increase SAC productivity and the weight given to Commission reports by federal, state, and local policy-makers. Joint reports provide a more comprehensive view of a civil rights issue because they include state and local data that might not be otherwise available. The Commission's elementary and secondary education desegregation project, to be completed in FY07, is an example of collaboration between the national office and its advisory committees that will effectively use the advisory committees to monitor an issue and collect data for analysis. From this joint effort, the project will identify national and regional trends related to school districts achieving "unitary" status or being declared desegregated. The success of this effort will hinge on the ability of the Commission to support SAC travel in FY07.

Plans to fully resolve all current FISMA deficiencies beginning in FY07 and concluding in FY09 are also based on the availability of funding. Likewise, the ability to provide staff training related to improving the Commission's ability to integrate budget and

performance, provide other skills-based staff development, and possibly expand the scope of services GSA provides the Commission are all contingent upon agency funding.

Even though its authorizing statute expired in 1996, the Commission continues to receive an annual appropriation. The agency will make necessary adjustments to its FY2007-2012 strategic and annual plans to incorporate any new authorizing legislation changing the Commission's structure, operation, mandate, and funding.

G. Management Reforms and Other Significant Initiatives

In FY05, and continuing through FY06, the Commission reformed aspects of the operation of its 51 advisory committees and national program planning. It adopted reforms strengthening project planning relating to Commissioner involvement in agency projects. As a result, there are policies institutionalizing the role of Commissioners during the background and planning, discovery, and report drafting stages of projects. Reforms to advisory committee membership selection criteria recognize the importance of the existence of specific skills at the SAC level related to fact-finding. The need to provide more opportunities for advisory committee service and inject new energy and ideas resulted in the creation of advisory committee term limits.

In FY06, additional changes were made to enhance the quality of national office work products and the utilization of the Commission's regional program (including SACs). The Commission is working to ensure effective use of the 51 SACs continues in the face of several institutional challenges including, but not limited to, a backlog of expired SAC charters that prevents many SACs from functioning; the amount of time SAC reports were under national office review prior to release for publication; and ongoing budget issues that limit the ability of the Commission to fully and consistently support SAC operations financially.

During FY06, the Commission took concrete steps to resolve these deficiencies by revising internal policies on national office program planning and execution, and retaining an Inspector General (IG) in July 2006 to review and propose revisions, as appropriate, to existing and proposed policies governing the objectivity, transparency and accountability in national office work products. The IG will also review and propose revisions, as appropriate, to the Commission's use of its advisory committees, its committee re-chartering process, and the timeliness of national office review of advisory committee reports. Prior to retaining the IG, the Commission developed a national office process and timeline for reviewing advisory committee reports that establishes a 65-day target review period, formalized the need to solicit SAC input during national program planning process, and implemented the use of operating budgets for regional offices that include funding for SAC operations and activities by October 1, 2006. These reforms were reviewed by the independent IG and were determined to be appropriate solutions to identified problems of timely national office review of SAC reports and the use and funding of regional operations (including SACs). Upon the completion of the work, the

IG will submit a written report evaluating the sufficiency of agency policies and procedures related to GAO's recommendations.

In addition to enhancing its national office work product processes, and further integrating the work of its advisory committees into the work of the national office, the agency continues to reform its human capital management system and its ethics program. The Commission's leadership continues to emphasize the importance of an excellent agency ethics program and ethical conduct by agency employees. Through its designated agency ethics official (DAEO), the Commission is implementing several ethics reforms, including:

- providing additional training and classes to Commission staff through the agency's ethics officer;
- improving the ethics officer's monitoring of the operation of the agency's ethics program and taking appropriate remedial action;
- updating Commission ethics policies and procedures;
- keeping, when appropriate, records of advice that is rendered on ethics and standards of conduct matters, including post-employment and conflict of interest matters; and
- submitting in a timely manner to the Office of Government Ethics semiannual reports of certain travel payments accepted, including negative reports.

Beginning in FY05, the Commission assessed its human capital management system to determine what changes were required to improve the operation of the Human Resources (HR) Division, and support ongoing agency reform efforts and the *President's Management Agenda* (PMI). Included in this review were the agency's internal policies, current delegations of authorities, and the performance management system for supervisors and managers. The results are the creation of a draft Strategic Human Capital Plan and a Human Capital Accountability System to increase workforce accountability and improve the management of human capital, the collection of employee feedback that was incorporated into the draft Human Capital Accountability System, and an employee skills assessment. In FY06, the Commission developed in-housing training materials for managers and supervisors on knowledge sharing and workforce planning. These review and reform efforts were further assisted in late FY06 by the Office of Personnel Management (OPM) recommendations regarding five areas of the Commission's HR operations:

- strategic alignment,
- leadership/knowledge management,
- results-oriented performance culture,
- talent management, and
- accountability for results-supporting mission accomplishment, effectiveness, and efficiency, and agency priorities.

OPM's findings are generally consistent with the Commission's previous determination that focused attention in many of these areas is still needed. The Commission is pleased

to report that in August 2006 it received notification from OPM that the steps taken and proposed by the Commission to address OPM's recommendations for improving its human capital management completely satisfied OPM and that the audit file was closed. The Human Resources Division, under new leadership in FY06, is therefore working to execute several remedial measures including:

- executing human capital management priorities, including evaluating the immediate need for positions and their broader organizational role on a strategic workforce planning basis rather than on a case-by-case basis;
- executing a leadership and knowledge management system, including prioritizing available funding to meet mission-critical and leadership succession training needs;
- increasing its capacity to attract quality people with the appropriate competencies in mission-critical activities to the agency;
- collecting and using data to inform human capital management; and
- improving the execution of its Delegated Examining Unit (DEU) authority.

In September 2006, the Commission began the process of identifying core competencies for all Commission staff positions. This process, which includes agency managers and supervisors for the national and regional offices on the recently created senior management council, will result in the identification of the interpersonal skills and behaviors necessary for success. This is in addition to the usual requirements of technical knowledge, skills and abilities (KSAs) for staff positions. By undertaking this process, the Commission is keeping pace with current human resource practices in the federal government.

Monitoring, and necessary revisions, will continue into FY08. Moreover, the Commission will monitor and evaluate, and revise as appropriate, previously implemented policies and procedures to ensure that these reforms are achieving their intended results. The agency, as well, will implement the recommendations made by its financial management consulting as it prepares for its FY06 financial audit.

In March 2006, the Commission began the OMB Program Assessment Rating Tool (PART) process. The agency finalized its assessment answers in September 2006 and will complete the development of its improvement plan by November 20, 2006. Once completed, the agency's PART will be ready for release with the President's Budget. The PART is intended to assess and improve performance of federal agency programs. Unlike other agencies, the Commission requested a PART review by OMB so that it could obtain external assistance in identifying its program strengths and weaknesses and to inform its funding and management decision-making processes. The PART has four specific components that, together, review all factors that affect the Commission's performance. The four PART components are program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results. Due to the absence of a final strategic plan, the Commission has not been able to demonstrate short-term and long-term performance measures. The Commission hopes to have a plan in place by late calendar 2006. By undergoing the PART process, however,

the agency was able to demonstrate that its work products reach policy-makers and is used by them during the policy-making process.

After years of mismanagement, the Commission is not expecting to be able to demonstrate that it is a high performing and effective agency over the course of 12 to 18 months following a change in agency leadership. However, the Commission has demonstrated its commitment to reform and its ability to deliver real results as evidence of that commitment.

III. PERFORMANCE ACCOUNTABILITY

The Commission is striving to deliver research and information that results in Congressional and Executive action, and informs the thinking of the judiciary and the public. Through demonstrating consistent progress toward fully executing strategic plan goals, and periodically re-envisioning those goals, the Commission will become an increasingly credible and indispensable fixture in the nation's civil rights debate. The following is a discussion of the progress by the agency made during FY06. There a six goals and each has at least one objective.

STRATEGIC GOAL ONE: Evaluate and identify ways of improving the effectiveness and efficiency of federal enforcement of civil rights laws and policies.

Objective: The goal of the Commission's enforcement studies and related efforts is to provide information and make recommendations to the President and to Congress as to the federal government's efforts to prevent denials of civil rights because of race, color, religion, sex, age, disability, or national origin, or in the administration of justice.

Target Performance:

- Issue the annual statutory report.
- Conduct four briefings and issue related briefing reports.

Accomplishments:

The Commission achieved its target level of performance by issuing the statutory report, and doing so earlier than in previous years. The report was issued in May instead of the usual date in September. Likewise, the Commission met its target of conducting four briefings. Two of the four briefing reports were completed and approved in FY06 and the remaining two are on target for completion in early FY07. The agency generally aims to complete projects (including approval of related reports) within 12 to 18 months after their initiation. [19] As such, the two pending briefing reports are considered timely although each has an FY07 completion date. The following is a review of the program activities related to this goal and their impact in FY06.

The annual statutory report was completed by staff and approved by the Commissioners four months prior to its September 2006 statutory deadline. During FY06, the Commission also successfully conducted four public briefings on current civil rights to increase public awareness, and provide reliable information to policymakers other stakeholders. The briefing on VRA, held on Capitol Hill, was attended by several congressional staff, advocates, and others interested in the debate concerning the

[19] Commission projects, including their staff time, costs, and duration, are tracked using a project coding system. The date the project code is assigned is the date from which the duration of a project is calculated, it is also the date tracking of project costs and staff hours begins.

reauthorization of the expiring provision of the Act. Likewise, the other three briefings were held to provide information and inform Commission recommendations to the President and to Congress concerning federal enforcement of civil rights in the areas of federal contracting and affirmative action.

In addition, the agency approved two of the four related briefing reports; the remaining two are pending completion and submission to the Commissioners for approval.

- *Voting Rights Enforcement and Reauthorization: The Department of Justice's Record of Enforcing the Temporary Voting Rights Act Provisions* (statutory report). On August 6, 2007, the Voting Rights Act (VRA) will celebrate its 42nd anniversary. On that date several of the Act's core provisions were set to expire, the pre-clearance requirement of Section 5, the language minority requirements of Sections 4(f)(4) and 203, and the voting examiner and observer authorizations of Sections 6 through 9. Congress faced complex and fundamental questions as it decided whether to extend these provisions beyond August 2007. The questions included: How far down the road to equal opportunity have these provisions brought our nation? How much farther do we need to travel? Have these provisions been properly enforced and construed by the Department of Justice (DOJ) and the courts? Has the nature or scope of discrimination in voting changed since their enactment? And, ultimately, are these provisions needed, either in their current form or in some modified form, to prevent backsliding from the progress already achieved? The Commission's May 2006 report does not make findings and recommendations but, instead, provides an analysis of the historical record to inform decision-makers. Included in this analysis is an assessment of DOJ decisions since 1965 implementing the temporary provisions of VRA, with particular focus on the current extension period.

- *Reauthorization of the Temporary Provisions of the Voting Rights Act.* The Commission has a legacy of studying, investigating, and ensuring that the right to vote is protected. In October 2006, it continued that legacy by convening a panel of voting rights experts on Capitol Hill to brief the Commission and aid policy-makers in deciding whether or not expiring VRA provisions should be extended or amended. The Commission made several recommendations in the resulting February briefing report, among them:

    - hold comprehensive hearings regarding constitutional and policy aspects of the temporary provisions;
    - evaluate the congruence and proportionality of Section 5 to voting discrimination;
    - develop a complete record of the occurrence of purposeful discrimination;
    - ensure that any reauthorized pre-clearance procedures are proportional to the evidence, if any, of voter discrimination; and
    - consider amendments to Section 5 regarding the formula for determining coverage, the stringency of the standards by which states can be released

from coverage, the range of state and local procedures subject to pre-clearance, and the length of the extension term.

- *Disparity Studies as Evidence of Discrimination in Federal Contracting Studies.* A decade ago, in the landmark case of Adarand v. Pena, the Supreme Court, quoting *Richmond v. Croson*, stated that "[a]bsent searching judicial inquiry into the justification for such race-based measures, there is simply no way of determining what classifications are 'benign' or 'remedial' and what classifications are in fact motivated by illegitimate notions of racial inferiority or simple racial politics." The Court went on to hold that federal programs using racial classifications are subject to "strict judicial scrutiny." While the Court has not provided clear guidance on the contours of the strict scrutiny standard, it is clear that any state or federal agency that uses racial preferences must provide a strong basis in evidence for the conclusion that the use of racial preferences is necessary. In an attempt to comply with this constitutional requirement, federal and state agencies and contractors have commissioned "disparity studies" to demonstrate discrimination with statistical analysis showing under-representation of minorities or women among federal contractors.

  This project, which included a December 2005 briefing and a subsequent briefing report, studied the methodological and empirical strength and quality of disparity studies conducted since 1995, the methodological and empirical strength and quality of disparity studies from other sources, and the relationship of disparity studies to federal agencies' procurement activities. Four experts briefed the Commission: Dr. Ian Ayres, a William K. Townsend Professor at Yale Law School, was originally involved in the design of disparity studies at the Department of Commerce in 1998 and 1999; Dr. Constance F. Citro, director, Committee on National Statistics, National Academy of Sciences, recently completed an evaluation of disparity studies with women-owned business and has done work measuring racial discrimination; Roger Clegg, president, Center for Equal Opportunity, a civil rights lawyer; and Dr. George R. LaNoue, professor, University of Maryland, Baltimore County, who complied a database of minority- and women-owned business programs containing research related to more than 160 disparity studies.

  The Commission's May 2006 briefing report contained 31 specific recommendations that generally point to the need for state and federal agencies with women- and minority-owned contracting programs to use current and scientifically sound disparity studies.

- *Law School Affirmative Action.* In June 2006, a panel of experts advised the Commission regarding the appropriateness of the American Bar Association's Equal Opportunity and Diversity Standard 211, and its accompanying interpretations. Standard 211, later adopted as Standard 212, seemed to require law schools seeking accreditation from the American Bar Association to practice racial preference in hiring or admissions irrespective of any federal or state laws

limiting such policies. Experts also addressed whether the costs of racial preferences to African Americans outweighed the benefits. Speakers included David Bernstein, George Mason University School of Law; Richard O. Lempert, University of Michigan Law School; Richard Sander, University of California at Los Angeles School of Law; and Steve Smith, chair, American Bar Association, Council of the Section of Legal Education and Admissions to the Bar. The briefing report is pending completion in FY07.

- *Racial Diversity in Grades K through 12.* In July 2006, the Commission assembled a panel of experts to discuss the educational and non-educational benefits of diversity for students in elementary and secondary education. Among the issues to be examined is the strength of the academic literature supporting or opposing diversity in kindergarten through grade twelve. This briefing was especially timely in light of the Supreme Court's decision to take up two cases concerning race-based student enrolment in elementary and secondary education. Speakers at the briefing included David J. Armor, George Mason University; Arthur L. Coleman, partner, Holland and Knight, and former Clinton Administration Deputy Assistant Secretary of Education for Civil Rights; Michal Kurlaender, University of California, Davis; and Stephan Thernstrom, Winthrop Professor of History, Harvard University. The report is pending completion in FY07.

Chart 10: National Office FY06 Reports

	Met Target Performance	Below Target Performance	On Track to Meet Target	Comments
Voting Rights Enforcement and Reauthorization: The Department of Justice's Record of Enforcing the Temporary Voting Rights Act Provisions (Statutory Report)	X			
Reauthorization of the Temporary Provisions of the Voting Rights Act	X			
Disparity Studies as Evidence of Discrimination in Federal Contracting Studies	X			
Law School Affirmative Action			X	Draft Briefing Pending Completion in or before August 2007 (12-month timeline)
Racial Diversity in Grades K through 12			X	Draft Briefing Report Pending Completion in or before Sept. 2007 (12-month timeline)

STRATEGIC GOAL TWO: Study Allegations of Denials of Civil Rights and Equal Protection of the Laws, and Illuminate the Causes, the Consequences, and the Possible Remedies Related to Discrimination Based on Race, Color, Religion, Gender, Age, Disability, National Origin, or in the Administration of Justice.

Objective: The goal of the Commission's investigations, studies, and related efforts is to provide information and recommendations to the President, Congress, and the public regarding denials of civil rights and equal protection of the laws. It also aims to illuminate the causes, the consequences, and possible remedies relating to discrimination based on race, color, religion, national origin, age, disability, or sex, or in the administration of justice.

Target Performance:

- Conduct four briefings and issue related briefing reports.

Accomplishments: In FY06, the Commission completed all four briefings and approved two of the four briefing reports. Thus, illuminating the causes, the consequences, and possible remedies related to discrimination based on race/ethnicity and religion. As mentioned earlier, the agency aims to complete its projects (including the approval of related report) within 12 to 18 months after their initiation. As such, the two pending reports will be timely completed even though each has an FY07 completion date.

- *Campus Anti-Semitism.* In July 2006 a 76-page report detailing the continuing incidents of anti-Semitic intimidation and harassment on many college campuses throughout the United States was released by the Commission. The report, rooted in a November 2005 briefing, finds that anti-Semitism on American campuses today is a serious problem which warrants further attention. Moreover, the report emphasizes that anti-Semitism is no less morally deplorable when camouflaged as anti-Israelism or anti-Zionism. Based on these findings, the Commission made several specific recommendations including that:

  - The Department of Education's Office for Civil Rights protect college students from anti-Semitic and other discriminatory harassment by vigorously enforcing Title VI of the Civil Rights Act of 1964 against recipients that deny equal educational opportunities to all students;

  - Congress should direct the Department's Office of Postsecondary Education to collect and report data on a broader range of anti-Semitic and other hate crimes that take place at colleges and universities consistent with the hate crime categories reported by the Federal Bureau of Investigation under the Hate Crimes Statistics Act;

  - The Office of Postsecondary Education collect and report data by category of prejudice as well as category of crime; and

- Congress should amend Title VI to make clear that discrimination on the basis of Jewish heritage constitutes prohibited national origin discrimination.

In a November 2005 statement, the Anti-Defamation League described the Commission's role in shining a light on this growing civil rights issue as "very productive." The Zionist Organization of America, in a November 2005 press release, praised the efforts of the Commission in combating campus anti-Semitism. In April 2006, it applauded "the historic findings and recommendations" made by the Commission and noted that the Commission "has sent a powerful message to the public." A November 2006 press release referred to these findings and recommendations as "groundbreaking."

- *Representation of Minorities in the Census.* In April 2006, a panel of experts briefed the Commission concerning the usefulness or appropriateness of racial categories planned for use in Census 2010. The panelists also addressed the Office of Management and Budget's guidance to federal agencies on allocation of responses which now allow participants to declare two or more races. Speakers included Charles Louis Kincannon, Director, U.S. Census Bureau; Kenneth Prewitt, Carnegie Professor of Public Affairs, Columbia University; Ward Connerly, Chairman, American Civil Rights Institute; and Sharon M. Lee, Professor and Director of Graduate Studies, Department of Sociology, Portland State University. The briefing report is due in FY07.

- *An Assessment of the Effectiveness of Historically Black Colleges and Universities (HBCUs).* There are 105 HBCUs located in southeastern United States, the District of Columbia, and the Virgin Island. Of these, 40 are public four-year, 11 public two-year, 49 private-four-year, and 5 private two-year institutions. Following the passage of the Civil Rights Act of 1964, the U.S. Department of Education (DOEd) Office of Civil Rights (OCR) sought to increase black enrollment at traditionally white institutions and white enrollment at historically Black colleges and universities (HBCUs). The objective was removal of institutional racial identifiability and integration of black students into traditionally white institutions. In the 1970s and 1980s, public policy shifted from racial neutrality to recognition of HBCUs as an integral part of the higher education landscape. Following court rulings, DOEd OCR developed guidelines for states that were developing state desegregation plans to ensure that HBCUs did not carry the burden of desegregation. Moreover, the federal government sought to enhance HBCUs. The Carter, Reagan, Clinton, and the two Bush administrations each established initiatives to strengthen HBCUs.

  The Commission's May 2006 briefing addressed the extent to which these institutions have been effective in educating students. Five experts made presentations before the Commission exploring these and others questions. The experts were:

  - Dr. Louis Sullivan, chairman, President's Board of Advisors on HBCUs

- Dr. Earl Richardson, president, Morgan state university,
- Mr. Jamie Merisotis, founding president, Institute for Higher Education policy,
- Raymond Pierce, dean, North Carolina State University, and
- Dr. Mikyong Minsun Kim, associate professor of higher education and director, Virginia Campus Higher Education Administration Doctoral Program, George Washington University.

The Commission's briefing report, which will include findings and recommendations, will be completed in FY07.

- *Hawaiian Government Reorganization Act.* In May 2006, the Commission approved a report on the Native Hawaiian Government Reorganization Act of 2005 which recommended against the proposed legislation, as reported out of committee, "or any other legislation that would discriminate on the basis of race or national origin and further subdivide the American people into discrete subgroups accorded varying degrees of privilege." The legislation, popularly knows as the "Akaka Bill" after the Senator who introduced it, would have codified a government-to-government relationship between the United States and Native Hawaiians. Critics argued that the Akaka bill amounted to the next step from racial preferences to racial separatism. In June 2006, the Senate rejected a motion to bring the proposed legislation to the floor for a full vote. The proposed legislation required 60 votes to reach the Senate floor, but only secured 56, with 41 voting against. Key policymakers opposed to the legislation, including Senator Lamar Alexander and the Assistant Attorney General for Legislative Affairs in the Department of Justice, cited the report released by the Commission. The report was based on evidence presented at a January 2006 briefing of experts before the Commission, including H. Christopher Bartolomucci, a partner with Hogan & Hartson; H. William Burgess, Attorney; Gail Heriot, Professor, University of San Diego Law School; and Noe Kalipi, Minority Staff Director for the Senate Veterans Affairs Committee.

Chart 11: Goal Two Actual v. Target Performance

	Met Target Performance	Below Target Performance	On Track to Meet Target	Comments
Campus Anti-Semitism	X			
Representation of Minorities in the Census			X	Briefing Report is Pending Completion in or before April 2007
An Assessment of the Effectiveness of Historically Black Colleges and Universities			X	Briefing Report is Pending Completion in or before April 2007
Hawaiian Government Reorganization Act	X			

STRATEGIC GOAL THREE: Promote greater public awareness of civil rights protections and responsibilities.

Objective: Activities in this area are intended to: (1) provide the public with a national clearinghouse repository for information concerning denials of civil rights because of race, color, religion, national origin, age, disability, or sex, or in the administration of justice; (2) keep the public informed about civil rights developments through the distribution of the Commission's reports and other publications; and (3) provide information about the activities of the Commission to the President, Congress, the civil rights community, the media, educators, and the public.

Target Performance: The Commission sought to leverage existing resources to carry out the Public Affairs Unit's functions of promoting public awareness of civil rights protections and responsibilities.

- Provide a local forum for a timely public discussion on a local or regional civil rights issue.
- Embark on a public service campaign in support of the Commission's college campus anti-Semitism project.
- Provide the public internet access to historical Commission publications as well as current material.
- Expand the material available to the public on the Commission's Web site.
- Routinely issue press releases related to Commission meetings and briefings.

Accomplishments:

The Commission demonstrated significant activity in each of its planned areas.

- *Racially Identifiable School Districts in Omaha.* The urban Omaha School District (OSD) in Nebraska enrolls about 45,000 students, of which 44 percent are white, 31 percent African American, 20 percent Latino, and 3 percent Native American. In June 2005, the Omaha School Board proposed to consolidate three school districts within the city. This "One City, One School District" plan had the support of civic and business leaders who saw an opportunity to correct the economically negative effect of the 1970s white flight. The plan, however, faced resistance from the parents of students attending predominantly white schools who feared a return to busing.

  In an effort to resolve the boundary impasse, a State senator proposed a bill, eventually Legislative Bill 1024 (LB 1024), that maintained the current borders of the 11 school districts. This bill was later amended to call for dividing OSD into three racially identifiable school districts, one predominantly white, one mostly black, and one largely Hispanic. The bill's principal sponsor insisted that the

racial split would allow minority school boards and permit improvement of educational quality. The amendment would also acknowledge the existence of *de facto* segregation in which residential segregation in Omaha played no small part. The bill, including the amendment, was signed into law in April 2006 and becomes effective in July 2008.

The Commission's September 2006 Omaha briefing explored 1) the constitutionality of the component of LB 1024 that divides OSD into three racially identifiable school districts, 2) the existence of evidence demonstrating that segregated education could improve student learning and educational quality, and 3) separate and distinct from the constitutional question, the wisdom of placing students, whether minority or non-minority, in educational settings that structurally inhibit interactions across diverse groups in a nation becoming more diverse, particularly if students continue to live in segregated neighborhoods. Completion of the related briefing report is expected in FY07.

- *Anti-Semitism Public Service Campaign.* The Commission agreed to undertake a public education campaign to inform students of the protections available to them against anti-Semitic harassment or intimidation. This campaign was an outgrowth of the Commission's anti-Semitism briefing in July 2006. These activities involve the design for the production of 1,500 campaign posters, 150,000 postcards, and the Web pages to inform students of their rights.

- *Memorandum of Understanding (MOU) with the Thurgood Marshall School of Law.* This MOU with the University of Maryland, Thurgood Marshall School of Law Library, approved by a Commission vote in August 2006, will create a two-year partnership between the Commission, GPO, and the Thurgood Marshall Law library. Once executed, this partnership will provide permanent public access via the internet to the Commission's publications for the benefit of the general public, the University of Maryland, and the federal government (including the Commission and the Federal Depositary Library Program). Over 200 Commission publications are currently available via the law school's Web site. This MOU is at no cost to the Commission.

- *Increased Web postings.* Web postings continue to be the primary method for providing information to the public. During FY06, the Commission issued 25 press releases, primarily related to its civil rights issue briefings and reports, and made them available via its Web site. In addition, four approved national office reports, a list of FY06 issue briefings, eight Commission meeting transcripts, and copies of four proposed regulatory actions by the commission were made available on the agency's Web site. Many, but not all, FY06 meeting transcripts and all SAC reports approved for publication are available on its Web site. FY06 is a baseline year for the amount of current civil rights fact-finding data is routinely made available on the Web site.

- *Issue Press Releases*. Even in the absence of a public affairs or press office, the Commission continued issuing releases prior to each business meeting and briefing.

Chart 12: Goal Three Actual v. Target Performance				
	Met Target Performance	**Below Target Performance**	**On Track to Meet Target**	**Comments**
Conduct Public Service Activities	X			
Provide Internet Access to Historical Commission Publications As Well As Current Material	X			
Post Meeting Transcripts and Approved National Office and SAC Reports Approved for Publication on the Web		X		Many But Not All FY06 Transcripts were Available by Sept. 2006
Provide Timely Public Discussion of a State or Regional Civil Rights Issue	X			Related Omaha Briefing Report is Pending Completion and Approval in FY07
Issue Press Releases	X			

STRATEGIC GOAL FOUR: Assist members of the public who seek information and advice about protecting their civil rights.

Objective: The Commission's efforts in this area are directed to providing information and advice to the public on how to obtain protection of their civil rights from federal enforcement agencies.

Target Performance: The Commission planned to continue its national complaint referral and tracking function and anticipated processing, analyzing, referring, and tracking more than 4,000 civil rights complaints in FY05. In addition, plans included continuing to incorporate new technological developments into the complaint referral and tracking process to improve the public's access to the service via the Internet and to improve the efficiency of the Commission's complaint referral operation.

Accomplishments:

Though funding was unavailable to improve the technology supporting the complaint service, the Commission continued its complaint referral function in FY06 and processed 2,945 complaints by the end of the fiscal year. The number of complaints received in FY05, 3,006, slightly exceeded the numbers received by the Commission in FY06 and in FY04. Publicity received by the Commission, and some efforts to generate public interest in using the service, may account for fluctuations in the number of complaints.

STRATEGIC GOAL FIVE: Enhance the unique network of 51 State Advisory Committees (SACs), which serve as the Commission's "eyes and ears," in addressing regional, state, and local civil rights issues.

Objective: The purpose of the SACs is to provide information and recommendations to the Commission and the public on civil rights issues at the state and local levels. As directed by statute, the Commission has a SAC in every state and the District of Columbia. The SACs range in size from 11 to 27 members. Membership on the committees is reflective of the different ethnic, racial, and religious communities within each state and representative with respect to sex, political affiliation, age, and disability status. Each member is composed of citizens familiar with local and state civil rights issues. Each serves two years and can be reappointed.

Target Performance: Continuing to encourage SAC meetings in a manner consistent with the Commission's authorized appropriation level and reallocating resources to support SACs in light of the planned closure of two regional offices—Kansas City and Denver—early in FY 2006 were last year's performance goals. Conference calling was emphasized as a method for conducting SAC meetings within the agency's budget authority.

Accomplishments: A regional office supports each of the Commission's six regions. The regional alignments are listed below:

- Central Region (CRO): Alabama, Arkansas, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nebraska, and Oklahoma.
- Eastern Region (ERO): Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia.
- Western Region (WRO): Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Texas, and Washington.
- Southern Region (SRO): Florida, Georgia, Kentucky, North Carolina, South Carolina, and Tennessee.
- Rocky Mountain Region (RMRO): Colorado, Montana, New Mexico, North Dakota, South Dakota, Utah, and Wyoming.
- Midwestern Region (MWRO): Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

In addition to completing four SAC reports, and despite limited human and financial resources in FY06, the regional offices also handled 799 citizen complaints. Chart 13 identifies the FY06 SAC reports.

Chart 13 : FY06 SAC-Approved Reports						
	ERO	SRO	MWRO	CRO	RMRO	WRO
Desegregation of Public Schools in Florida: 18 Public School Districts Have Unitary Status and 16 Districts Remain Under Court Jurisdiction		X				
Equal Education Opportunity: An Analysis of the Racial Achievement Gap in Kentucky Urban Schools		X				
An Analysis of Title I Allocations by the Ten Largest School Districts in North Carolina		X				
Hate Crimes in Ohio Revisited			X			

Four SAC charters were renewed and 66 members were appointed and reappointed to committees during FY06. During FY05, 3 SACs were re-chartered and a total 38 members were appointed. FY06 performance shows a marked increase in re-chartering activity at the Commission. Based on the estimated staff time and financial resources required, the agency anticipates that it will be able to clear its substantial backlog of expired SAC charters by FY2011. In FY07, a plan will be implemented and a timetable created for promptly renewing SAC charters expiring after January 2007.

STRATEGIC GOAL SIX: Improve the management, accountability, and productivity of the Commission.

Objective: The Commission seeks to improve management, accountability, and productivity so that it carries out its mission in an efficient and cost-effective manner. Specifically, the agency is to implement reform measures that address the concerns raised by the Government Accountability Office (GAO), the Office of Personnel Management (OPM), and other entities.

Plans: The Commission adopted the policy recommendations of the GAO reports issued in 1997, 2003, 2004, and 2005, and in an OPM report issued in 1999. As such, the Commissioners authorized the Staff Director to implement these recommendations in a nine-month period, consistent with the strictures of the Anti-Deficiency Act and to the extent funds are available.

Accomplishments: Under the leadership of a new Staff Director since late 2005, the Commission has undertaken an aggressive reform agenda to implement a broad series of internal controls to ensure the integrity of Commission reports and to resolve profound management and financial challenges that developed over a period of many years. Management initiatives and reforms undertaken in FY06 include:

- creating of a Commissioner working group on strategic planning;
- working with a consulting firm to assess and develop a corrective action plan for agency financial reporting, systems, and internal control;
- creating a Senior Management Council composed of agency managers and supervisors;
- working with an Inspector General to ensure that several of the reforms were appropriately designed;
- strengthening objectivity requirements for national office work products; and
- improving SAC operating procedures and oversight.

Improvement in the policies and procedures governing financial management at the Commission began in FY05 and continued through FY06. In February 2006 a working group on strategic planning, composed of Commissioners, was created to ensure that the plan reflects the contemporary vision of the Commission and the challenges faced by the nation in providing equal opportunity. The current draft strategic plan articulates the Commission's vision for executing its vital mission over the next five years and for overcoming administrative challenges during a time of diminishing resources. The plan identifies mission challenges and benchmarks for success; explains the strategic goals and their relation to the mission; discusses its relationship with the Commission's annual performance plan; and identifies external factors that may frustrate implementation of the plan. The strategic planning process should be completed in late 2006.

Beginning in March 2006, and continuing through September 2006, the Commission worked with a consulting firm to assess its financial reporting and compliance with applicable laws. This effort resulted in additional financial management reforms designed to further strengthen the agency's financial reporting and control, such as:

- developing reconciliation procedures related to internal and external financial reporting;
- finalizing additional budget call procedures related to agency budget formulation and execution; and
- implementing an additional control to compensate for a design flaw in its payroll services provider system related to recording time and attendance information for timekeepers.

The Commission created a Senior Management Council in FY06 to re-enforce the Commission's commitment to management reform. It also serves as a mechanism for the meaningful participation of managers and supervisors in the creation and execution of management initiatives. As such, the council is responsible for conducting and overseeing internal assessments, providing input into the development of corrective action plans, and advising on proposed policy and procedural changes, as appropriate. Its membership is drawn from the national and regional offices.

In June 2006, the agency revised its national office program planning guidance to support the efficient planning and management of its civil rights projects. This guidance also ensures that Commission projects, including reports and other written work products, hearings, and briefings reflect a consideration of varied perspectives. Shortly thereafter, the Commission also retained an Inspector General to ensure that these and related changes are appropriately designed, and to advise on changes to the Commission's utilization of its SACs. The results of this consultation should be evident in early FY07 with the adoption of new procedures.

In the few months between September 2005 and January 31, 2006, the Commission moved aggressively to reform its management operations by, among other actions:

- producing a procurement guide for use by procurement and budget personnel, and office and division heads with delegated procurement authority;
- implementing policies and procedures to ensure compliance with the Anti-Deficiency Act;
- formalizing the requirement to properly document and maintain non-salary related financial transaction files, including justification of procurement decisions and processes;
- requiring that purchase orders be issued before goods and services are purchased;
- creating procedures for requesting authorization of unauthorized commitments;
- providing formal training to key procurement personnel;
- requesting a Program Assessment and Rating Tool (PART) review by the Office of Management and Budget (OMB);
- issuing revised guidance of the creation of the agency's annual performance-budget;

- providing management with monthly project cost information necessary to support decision-making, and foster budget and fiscal accountability;
- developing meaningful project reporting categories, in consultation with OMB, during the apportionment process;
- formulating and issuing specific apportionment and allotment procedures consistent with OMB Circular A-11;
- establishing agency goals, principles, and financial controls consistent with the requirements of OMB Circular A-11 on administrative control of funds, OMB Circular A-123 on management's internal control responsibilities, and OMB Circular 127 on financial management systems;
- undertaking a strategic planning process;
- issuing formal travel guidance that is comprehensive and consistent with the *Federal Travel Regulation* (FTR);
- complying with the Accountability of Tax Dollars Act, for the first time since the Act was passed;
- submitting the agency's first Performance and Accountability Report (PAR);
- creating procedures to ensure the timely preparation of annual Commission PARs;
- bringing GSA fully onboard, as of October 1, 1005, as the agency's accounting services provider;
- creating guidance on the reconciliation of accounts and records;
- creating timelines, in conjunction with GSA, for processing financial transactions to avoid Prompt Payment Act violations;
- formalizing previously adopted Commission motions on national office project development;
- formalizing previously adopted Commission motions on internal and external communication policies and procedures;
- adopting policies on advisory committee membership criteria and member terms; and
- creating a working group to propose draft Commission guidance and administrative procedures that ensure the quality and integrity of information disseminated by the Commission.

Other reforms were also implemented by the Commission during the fiscal year that are designed to create a foundation upon which an effective and efficient Commission can continue to be built.

IV. FINANCIAL MANAGEMENT AND PERFORMANCE

Message From the Director of Management

The Commission completed the fiscal year within budget, with improved financial management, and with an additional focus on cost controls and cost accounting. With a FY06 budget of $8,932,439 million, salaries and benefits accounted for approximately 60 percent of all Commission costs leaving little funding for programs, staff training and development, and improvements in communications and technology. Commission leadership has worked tirelessly to cut costs as demonstrated by efforts to bring rising office space rent costs under control by consolidating office space and returning unused space to GSA. However, rent costs remain about 18 percent of the agency's total budget, with over 20 percent of the budget dedicated to travel and other general expenses.

For the first time in its history, the Commission received an unqualified opinion on all five of its financial statements. This is a significant accomplishment. During FY06, the Commission continued to progress toward resolving financial operations that were not in compliance with federal regulations identified within GAO's audit or material weaknesses reported in FY03. The agency continued to have some expenditures that lacked adequate supporting documentation. In FY05 and in FY 06, the Commission required that all transactions be clearly documented, and that documentation of all financial transactions be readily available for examination.

Under the Government Performance and Results Act, the Commission is working to improve its assessment and performance measures, and the quality of its data and compilation procedures. Additionally, the Commission is addressing the requirements for effective internal controls over financial reporting. Work continues on eliminating material weaknesses. As reflected in the Commission's management response to the audit report, incorporated herein by reference, the agency has a plan for correcting deficiencies in its internal controls and financial systems. In fact, many of these corrective measures are already in place and others will be implemented in FY07. The agency is proud of its many recent accomplishments, but realizes that there is still much work yet to be done. The Commission continues to strive to improve its financial posture, financial stewardship, and performance.

TinaLouise Martin
Director, Office of Management

Limitations on the Principal Financial Statements

In FY05 the Commission received an Opinion only on its balance sheet, which stated that balances were fairly stated and the presentation conformed to accounting standards for FY 05 only. The Commission received a Disclaimer of Opinion on its FY05 Statement of Net Cost, Statement of Net Position, Statement of Budgetary Resources, and its Financing Statement. Further, any apparent change in the types of assets, liabilities, costs, revenues, obligations, and outlays from FY05 to FY06 may be inaccurate.

The financial statements reflect Commission financial transactions processed during FY06. Commission assets are the actual funds in the agency's central account at Treasury, and liabilities are outstanding payments still due by the Commission. The program costs reflect cost of agency programs. Revenue is not reflected. Obligations reflect what was obligated (or entered as a monetary outlay, either immediately or in the future) by the Commission's accounting services provider in FY06. Outlays include what was disbursed or paid during FY06.

The principal financial statements have been prepared to report the Commission's financial position and results of operations, pursuant to the requirements of title 31 of the United States Code § 3515(b). The statements have been prepared from the agency's records in accordance with the generally accepted accounting principles for Federal entities and the formats prescribed by the OMB. They are additional to the financial reports used to monitor and control the Commission's budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

Walker & Company, LLP
Assurance, Business and Advisory Services

INDEPENDENT AUDITOR'S REPORT

Chairman
Staff Director
U.S. Commission on Civil Rights

We have audited the accompanying balance sheet of the United States Commission of Civil Rights (the Commission) as of September 30, 2006 and the statements of net cost, changes in net position, budgetary resources, and financing for the year then ended. These statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these statements based on our audit. The balance sheet of the Commission as of September 30, 2005 was audited by other auditors. Those auditors expressed an unqualified opinion on the balance sheet in their report dated January 5, 2006. The related statements of net cost, changes in net position, budgetary resources, and financing for the year then ended were unaudited.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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In accordance with *Government Auditing Standards*, we have also issued our reports dated November 8, 2006 on our consideration of the Commission's internal control over financial reporting, and on our tests of the Commission's compliance with certain provisions of laws and regulations. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Management's Discussion and Analysis and Required Supplementary Information sections are not a required part of the basic financial statements, but are supplementary information required by OMB Circular A-136, *Financial Reporting Requirements.* We have applied certain limited procedures to such information, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit this information and accordingly express no opinion on it.

Walker & Company, LLP

November 8, 2006

Walker & Company, LLP
Assurance, Business and Advisory Services

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Chairman
Staff Director
U.S. Commission on Civil Rights

We have audited the financial statements of the United States Commission of Civil Rights (the Commission) as of and for the year ended September 30, 2006, and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control; determined whether internal controls had been placed in operation; assessed control risk; and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 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 (FMFIA)*, 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 the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial

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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 statements 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 controls, misstatements, losses or noncompliance may nevertheless occur and not be detected. However, we noted certain matters discussed in the following paragraphs involving the internal control and its operation that we consider to be reportable conditions and material weaknesses.

Finally, with respect to internal control related to performance measures reported in the Commission's Performance and Accountability Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

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MATERIAL WEAKNESSES

A. Lack of Adherence to the Review and Approval Process

Condition:

During fiscal year 2006, the Commission was in a period of transition whereby its financial management systems were in the process of being analyzed by an external consulting firm and revamped in order to meet and comply with the requirements of FFMIA. Also during fiscal 2006, the Commission supplemented its limited financial staff with GSA, its accounting services provider. During this period, the Commission created controls designed to ensure proper documentation of procurement transactions that included document control checklists that are used by the procurement office to ensure requisitions, purchase orders, and other supporting documents are available. Although internal controls were designed to improve the review and approval process, the controls were made ineffective either due to improper execution or inadequate monitoring.

While testing the Commission's controls over cash disbursements and its procurement process, we noted the following exceptions relating to its review and approval process:

Disbursements – of the 25 transactions selected for testing:

- Requisitions for twelve transactions were not included in the vendor files. The vendor files included other supporting documentation for these transactions which totaled $14,386.

- Five transactions amounting to $1,249 were not properly coded on the requisition and therefore were not properly recorded in the appropriate account classification in the general ledger.

- Five invoices totaling $2,707 were not stamped when received.

Procurement – of the 40 transactions selected for testing:

- 27 invoices totaling $89,738 were not stamped received.

- 20 receiving reports totaling $81,183 were not signed/approved by the Administrator/Ordering Officer.

Criteria:

The GAO's *Standards for Internal Control in the Federal Government* state that transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use or commit resources and other events are initiated or entered into. Transactions need to be clearly documented, and the documentation should be readily available for examination.

The GAO's *Standards for Internal Control in the Federal Government* also state that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. In addition control activities help to ensure that all transactions are completely and accurately recorded.

Cause:

The Commission attempted to streamline its financial management processes during fiscal 2006 and we observed that the number of findings decreased from the prior year. However, with limited staffing during fiscal 2006, there were periods of time where employees' duties were not performed in their absence and documentation was either not received or not filed. The Commission also implemented controls to comply with the Prompt Payment Act, noncompliance of which was a finding in fiscal 2005; however, the Commission's focus on compliance with this Act may have weakened its adherence to the review and approval processes.

Effect:

A lack of sufficient staffing, individual accountability and follow-through in the review and approval process can produce inconsistencies in the application of controls and can increase the risk of errors, improper recording, unauthorized transactions, omissions, and potential funds control violations. Also, the effective and efficient processing of financial transactions may be diminished.

Recommendation:

There were no exceptions in our testing of with the Prompt Payment Act; however, the Commission needs to focus on tightening the execution and oversight of its controls over the review and approval process while continuing to comply with the Prompt Payment Act.

Specifically, we recommend the following:

- The Office of Budget and Finance should return all incomplete documents to the appropriate departments for proper execution.
- The review process should be documented through the use of a checklist and should be signed by the reviewer.
- The GSA should not process any payment where the supporting documents do not have the required approvals.
- Before information is filed, the voucher package should be reviewed for completeness as it relates to necessary approvals and appropriate documents.

B. The Commission Needs to Address its Human Capital Needs

Condition:

Within the last two years, the Commission has had significant turnover of staff in several fiscal positions. During our audit, we noted that the Commission relied on a few individuals, with contractor assistance, to perform the substantial financial management, administrative, and information security duties. The current range of fiscal responsibilities includes, but are not limited to, the approval and tracking of obligations and disbursements; monthly, quarterly and yearly financial information review; development of financial policies and procedures; financial statements review; audit coordination; coordination with other agencies including OMB, GSA, and USDA; and information security compliance. As a result, when key personnel are absent, the execution of financial functions may be slowed or otherwise delayed. During the audit, for example, one key financial personnel was not available at the end of the fiscal year. The shortage of staff, the lack of training and/or the absence of properly documented guidance had an adverse effect on the Commission's efforts to improve its financial management system.

Criteria:

The GAO's *Standards for Internal Control in the Federal Government* states that effective management of an organization's human capital is an important part of internal control. Only when the right personnel for the job are on board and are provided the right training, tools, structure, incentives, and responsibilities is operational success possible. Management should ensure that skill needs are continually assessed and that the organization is able to obtain a workforce to achieve organizational goals. Specifically, as part of its human capital planning, management should consider how best to retain

valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities.

Cause:

The Commission's small staff and its stagnant appropriation levels have caused a reduction in the overall number of personnel thus making the use of backstops an appropriate transition strategy essential to ensure continuity.

Effect:

Significant reliance on a small or inadequate staff to perform key financial functions can result in the following:

- Lack of an adequate review of quarterly/annual financial statements.
- Lack of an adequate secondary review of the Commission's financial activities processed by its accounting service provider.
- Difficulties in complying with the organization's control environment if staff are absent for significant periods of time.

Recommendation:

We recognize the Commission's efforts to hire competent and experienced financial personnel to work with its external accounting services provider and provide guidance to agency managers and supervisors. We also recognize management's implementation of training sessions as recommended in the fiscal 2005 audited report. We strongly recommend, however, that consistent with its resources, the Commission's management continue providing job training and cross-training sessions to staff who are yet to be trained as well as all staff on an on-going basis. The Commission should implement an annual training schedule that can be used to address the needs of its employees. These needs can be identified during the annual evaluation process or on an as-needed basis.

REPORTABLE CONDITIONS

C. Travel Expenses Are Not Properly Supported

Condition:

We noted that the Commission automated its travel authorization and reporting process; however, the processing of travel vouchers for non-local employees still involves some manual transfers of travel authorization and voucher information. Travel expenses for national office employees are processed electronically using the GSA's web-based travel management system. Regional offices also have access to this Web-based system, however; their access is through a dial-up system that can be slow and unreliable. As a result, manual travel processing may occur by default. Based on a sample of 15 selected items out of 225, we noted that the Commission either did not have sufficient

documentation to support expenses claimed or there was a lack of appropriate approval on many documents. We noted the following exceptions:

- One voucher totaling $105 was not stamped and dated when received by the Supervisor.
- Two vouchers amounting to $781 did not have the traveler's electronic signature on the voucher, neither were they approved by the Supervisor.
- There was no evidence of support for two vouchers amounting to $584.
- One voucher tested claimed a travel expense totaling $28 that was not within the authorized dates of travel.
- Payments were made to two persons for amounts that exceeded the maximum authorized amount by $300. There was no supporting documentation for the excess amounts paid.
- Six items totaling $1,687 had no evidence of an approved Travel Authorization form.

Criteria:

As stated in the GAO's *Standards for Internal Control in the Federal Government*, transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use or commit resources and other events are initiated or entered into. Transactions need to be clearly documented, and the documentation should be readily available for examination.

Cause:

The Commission's management revised its travel procedures late in fiscal 2005 which were to be fully implemented in fiscal 2006. However, there is limited authorized personnel executing this process and informing staff about the updated procedures and policies.

Effect:

The Commission was unable to properly review vouchers to ensure all requirements for payment are achieved. As a result of non-enforcement of the travel policies, employee travel expenses of approximately $3,295 are unsupported and potentially approved without adequate documentation. Also, there is an increased risk of non-compliance with Federal Travel Regulations.

Recommendation:

We recommend the following:

- The Office of Budget and Finance should not commit any travel funds without an approved Travel Authorization form.
- Payments should not be approved with incomplete documentation, i.e., all necessary approved forms and applicable supporting documentation should be available.
- Before travel information is filed, the voucher package should be reviewed for completeness of required documentation and approval.
- The review process should be documented through the use of a checklist and should be signed by the reviewer.

D. Failure to Properly Execute Procedures Governing the Preparation of Supporting Documentation and File Maintenance

Condition:

The Commission created file documentation checklists and file maintenance guidance during fiscal 2006 for the procurement office to improve documentation of its financial transactions. However, while testing controls over disbursements and the procurement process, we observed several instances where supporting documentation was not sufficient or not included in the appropriate file. We noted the following discrepancies:

- We were not provided supporting documentation, i.e., neither the requisition, receiving report nor the invoice for three disbursements totaling $293 of the twenty-five disbursements selected for testing (see Condition A above).

- A payment of $202 was made to a vendor however; the vendor invoice was not maintained in the file (see Condition A above).

- When testing procurement, there were two out of 40 transactions totaling $3,214 which did not have any supporting documentation available (see Condition A above).

Criteria:

According to the GAO's *Standards for Internal Control in the Federal Government*, internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. All documentation and records should be properly managed and maintained.

Cause:

Inadequate file maintenance resulting from a lack of human resources and consistent monitoring resulted in this deficiency in agency control. The failure of those who removed records from files to indicate who took the records as well as failure to return records to files or misfiling when records are returned also contributed to this deficiency.

Effect:

Employees spend nonproductive time searching for needed documents.

Recommendation:

We recommend that the Commission develop a corrective action plan to address the noted deficiencies. The plan may include:

- The review of voucher packages as noted in Condition A and C.
- Sign-out/in sheets to document retrieval and replacement of documents.

****

Management's responses to the above recommendations are included in Appendix B. We believe that their response adequately addresses our recommendations.

This report is intended for the information and use of the Commission's management, the OMB, the Government Accountability Office, and the U.S. Congress, and is not intended to be and should be used by anyone other than these specified parties.

Walker & Company, LLP

November 8, 2006

Walker & Company, LLP
Assurance, Business and Advisory Services

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Chairman
Staff Director
U.S. Commission on Civil Rights

We have audited the financial statements of the United States Commission of Civil Rights (the Commission) as of and for the year ended September 30, 2006, and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the Commission is responsible for complying with laws and regulations applicable to the Commission. As part of obtaining reasonable assurance that the Commission's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 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 the Commission. Providing an opinion on compliance with laws, regulations, contracts, and grants agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulleting No. 01-02 and FFMIA, we are required to report whether the Commission's financial management systems substantially comply with: (1) federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard 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 that the Commission did not fully comply with the FFMIA, which is required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether the Commission's financial management systems substantially comply with the Federal financial management systems requirements,

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applicable Federal accounting standards, and the United States Government Standard General Ledger (USSGL) 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 three instances of noncompliance with laws and regulations.

****

A. The Commission was not Fully Compliant with FFMIA

Conditions:

The Commission's management has made significant changes from the prior year in effecting corrective actions in order to comply with FFMIA requirements of having an integrated financial management system and recording its financial transactions using the USSGL. The Commission uses Pegasys, an approved federal financial management system and in fiscal 2006, began using GSA for accounting services. The Commission processes its payroll through the National Finance Center (NFC) which uploads payroll detail, via electronic media, to GSA which records the payroll information. We noted that payroll information was not timely recorded on the Commission's quarterly reports.

In late fiscal 2006, the Commission's management developed budgetary and other reconciliation procedures; however, we observed that the Commission did not obligate approximately $775,000 of its appropriated funds for 2006.

Criteria:

OMB Circular A-127, *Financial Management Systems,* requires the Commission to establish and maintain an accounting system that provides for (1) complete disclosure of the financial results of the activities of the agency, (2) adequate financial information for agency management and for formulation and execution of the budget, and (3) effective control over revenue, expenditures, funds, property, and other assets.

Cause:

The changes effected by the Commission occurred late in fiscal 2006; however, sufficient reconciliations of its budgetary and proprietary accounts were not performed during the year.

Effect:

The Commission constricted its operational and programmatic activities in an effort to manage its funding; yet, left approximately 8.5% of its budgetary resources unobligated.

Recommendation:

Management needs to better monitor its budgetary resources by ensuring regular reconciliation of its accounts consistent with established agency guidance and the reconciliation procedures created for its budget office in late fiscal 2006. In addition, the Commission should work with GSA and NFC to reduce the delay in posting payroll transactions to the general ledger accounts.

B. The Commission Does Not Fully Comply with the Federal Information Security Management Act (FISMA)

In fiscal 2005 the Commission prepared a FISMA report and identified twelve significant non-compliance issues with FISMA requirements. The Commission acknowledges that it has not met the majority of the FISMA requirements identified in fiscal 2005. This is attributable to not having an information technology specialist on staff during most of fiscal 2006. Once staffing was in place, the Commission did resolve four of the twelve issues previously identified. The Commission has created a timetable for compliance that would effect systematic implementation of its corrective action plan through fiscal 2009 with four weaknesses to be resolved during fiscal 2007.

We are reporting this deficiency as required by the guidance issued by the Office of Management and Budget. However, because this deficiency is being addressed, we are not making any recommendations in this report.

C. The Commission Did Not Fully Comply with the Accountability of Tax Dollars Act of 2002

For fiscal 2005, the Commission received an extension to January 15, 2006 of its submission deadline for its fiscal 2005 audited financial statements; the Commission met this deadline. However, as documented in its prior year's financial statements, the Commission did retain a firm to conduct an audit for fiscal 2004. This firm did not complete and submit the final audit report to the Commission until October 2006. The report was submitted to the Director of OMB in November 2006.

We are reporting this deficiency as required by the guidance issued by the Office of Management and Budget. However, because this deficiency has been addressed, we are not making any recommendations in this report.

****

Management's responses to the above recommendations are included in Appendix B. We believe that their response adequately addresses our recommendations.

This report is intended for the information and use of the Commission's management, the OMB, the Government Accountability Office, and the U.S. Congress, and is not intended to be and should be used by anyone other than these specified parties.

Walker & Company, LLP

November 8, 2006

UNITED STATES COMMISSION ON CIVIL RIGHTS
BALANCE SHEETS
September 30, 2006 and 2005
(In Dollars)

	2006	2005
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 1,815,924	$ 865,394
Total Intragovernmental	1,815,924	865,394
TOTAL ASSETS	$ 1,815,924	$ 865,394
LIABILITIES (Note 3)		
Intragovernmental		
Accounts Payable	$ 4,548	$
Other		65,197
Total Intragovernmental	4,548	65,197
Accounts Payable	194,820	136,507
Other (Note 4)	583,333	692,358
Total Liabilities	782,701	894,062
NET POSITION		
Unexpended Appropriations - Other Funds	1,347,860	326,517
Cumulative Results of Operations - Other Funds	(314,637)	(355,185)
Total Net Position	1,033,223	(28,668)
TOTAL LIABILITIES AND NET POSITION	$ 1,815,924	$ 865,394

The accompanying notes are an integral part of these statements.

UNITED STATES COMMISSION ON CIVIL RIGHTS
STATEMENTS OF NET COST
For The Years Ended September 30, 2006 and 2005
(In Dollars)

	2006	UNAUDITED 2005
PROGRAM COSTS		
Gross Costs (Note 5)	$ 7,899,216	$ 8,650,232
Less: Earned Revenue		
Net Program Costs	7,899,216	8,650,232
NET COST OF OPERATIONS	$ 7,899,216	$ 8,650,232

The accompanying notes are an integral part of these statements.

UNITED STATES COMMISSION ON CIVIL RIGHTS
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2006 and 2005
(In Dollars)

	2006		UNAUDITED 2005	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	$ (355,185)	$ 326,517	$ (502,665)	$ 98,997
Prior Period Adjustments				
Beginning Balances, as Adjusted	(355,185)	326,517	(502,665)	98,997
Budgetary Financing Sources:				
Appropriations Received		9,048,000		9,096,000
Other Adjustments (Recissions, etc.)		(86,893)		(70,768)
Appropriations Used	7,939,764	(7,939,764)	8,797,712	(8,797,712)
Other Financing Resources (Non-Exchange):				
Imputed Financing from Costs Absorbed by Others				
Total Financing Sources	7,939,764	1,021,343	8,797,712	227,520
Net Cost of Operations	7,899,216		8,650,232	
Ending Balances	$ (314,637)	$ 1,347,860	$ (355,185)	$ 326,517

The accompanying notes are an integral part of these statements.

UNITED STATES COMMISSION ON CIVIL RIGHTS
STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(In Dollars)

	2006	UNAUDITED 2005
Budgetary Resources		
Unobligated balances		
Beginning Period	$	$
Budget authority		
Appropriations Received	9,048,000	9,096,000
Subtotal	9,048,000	9,096,000
Permanently Not Available	(115,561)	(72,768)
Total Budgetary Resources	$ 8,932,439	$ 9,023,232
Status of Budgetary Resources		
Obligations Incurred		
Direct (Note 6)		
Category A	$ 8,157,125	$ 9,006,529
Subtotal	8,157,125	9,006,529
Unobligated Balances		
Apportioned		
Balance, Current Available	775,314	16,703
Total Status of Budgetary Resources	$ 8,932,439	$ 9,023,232
Change in Obligated Balances		
Obligated Balance, Net		
Obligations Incurred	$ 8,157,125	$ 9,006,529
Gross Outlays	(7,116,515)	(8,292,697)
Obligated Balance, Net, End of Period		
Unpaid Obligations	1,040,610	262,811
Total Unpaid Obligated Balance, Net, End of Period	$ 1,040,610	$ 262,811
Net Outlays		
Gross Outlays	$ 7,116,515	$ 8,292,697
Net Outlays	$ 7,116,515	$ 8,292,697

The accompanying notes are an integral part of these statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The U.S. Commission on Civil Rights (USCCR) was established to (1) investigate complaints alleging that citizens are being deprived of their right to vote by reason of their race, color, religion, sex, age, disability or national origin or by reason of fraudulent practices, and (2) study and collect information, appraise federal laws and policies and serve as a national clearinghouse for information in respect to discrimination or denial of equal protection of the laws because of race, color, religion, sex, age, disability or national origin. USCCR also submits reports, findings and recommendations to the President and Congress and issues public service announcements to discourage discrimination or denial of equal protection of the laws.

Basis of Presentation

These financial statements have been prepared from the accounting records of the USCCR in accordance with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, as amended. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

OMB Circular No. A-136 requires agencies to prepare principal statements, which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and a Statement of Financing. The balance sheets present, as of September 30, 2006 and 2005, amounts of future economic benefits owned or managed by the USCCR (assets), amounts owed by the USCCR (liabilities), and amounts, which comprise the difference (net position). The Statements of Net Cost report the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within the USCCR and other reporting entities. The Statements of Budgetary Resources report an agency's budgetary activity, while the Statements of Financing reconcile budgetary resources to the agency's net cost of operations.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with standard government practice. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenues and Other Financing Sources

The USCCR is an appropriated fund and receives an annual appropriation.

NOTE 2. FUND BALANCE WITH TREASURY

All of the USCCR balance with treasury is coming from appropriations.

	2006	2005
A. Fund Balance with Treasury		
Trust Fund	$ 1,815,924	$ 865,394
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a. Available	$ 775,314	$ 16,703
b. Unavailable		2,768
2) Obligated Balance not yet Disbursed	1,040,610	845,923
Total	$ 1,815,924	$ 865,394

NOTE 3. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the USCCR are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2006 and 2005, they showed liabilities covered by budgetary resources of $468,064 and $538,877, respectively and liabilities not covered by budgetary resources of $314,637 and $355,185, respectively.

Liabilities covered by budgetary resources as of September 30, 2006 and 2005 are comprised of Accounts Payable $199,368 and 136,507, respectively and Accrued Funded Payroll and Leave $268,696 and $402,370, respectively.

NOTE 3. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES (Continued)

	2006	2005
With the Public		
Other (Unfunded leave liability)	$ 314,637	$ 355,185
Total liabilities not covered by budgetary resources	314,637	355,185
Total liabilities covered by budgetary resources	468,064	538,877
Total liabilities	$ 782,701	$ 894,062

NOTE 4. OTHER LIABILITIES

Other liabilities with the public as of September 30, 2006 and 2005 consist of Accrued Funded Payroll and Leave of $268,696 and $402,370, respectively and Unfunded Leave in the amount of $314,637 and $355,185, respectively.

	With the Public	Non-Current	Current	Total
2006	Other Liabilities	$ 314,637	$ 268,696	$ 583,333
2005	Other Liabilities	$ 355,185	$ 402,370	$ 757,555

NOTE 5. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

	2006	2005
Program A		
Intragovernmental costs	$ 2,036,408	$ 3,169,482
Public costs	5,862,808	5,480,750
Total Program A costs	7,899,216	8,650,232
Total Program A earned revenue	$ 7,899,216	$ 8,650,232

NOTE 6. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations for the USCCR, is the amount of direct obligations incurred against amounts apportioned under category A on the latest SF132.

	2006	2005
Category A	$ 8,157,125	$ 9,006,529
Category B		
Exempt		

NOTE 7. EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

As of September 30, 2006 and 2005, liabilities not covered by budgetary resources total $314,637 and $355,185, respectively and the change in components requiring or generating resources in future period shows $314,637 and $355,185, respectively. The $314,637 is the amount of future funded expenses – accrued leave as of September 30, 2006. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to future annual leave liability for which the budgetary resources will be provided in a subsequent period.

	2006	2005
Liabilities not covered by budgetary resources	$ 314,637	$ 355,185
Change in components requiring/generating resources	$ 314,637	$ 355,185

Required Supplemental Information

Intragovernmental Balances by Trading Partner:

Intragovernmental Assets by Trading Partner:

Trading Partner	Fund Balance with Treasury	Accounts Receivable	Other Assets
Library of Congress (03)	$ -	$ -	$ -
Government Printing Office (04)	-	-	-
General Accounting Office (05)	-	-	-
U.S. Capital Police (09)	-	-	-
U.S. Postal Service (18)	-	-	-
Department of State (19)	-	-	-
Department of Treasury (20)	1,815,924	-	-
Office of Personnel Management (24)	-	-	-
General Services Administration (47)	-	-	-
National Science Foundation (49)	-	-	-
Department of Transportation (69)	-	-	-
Treasury General Fund (99)	-	-	-
Other Material Agency (Please List)	-	-	-
Others - Immaterial Agencies (Please List)	-	-	-
Total	$ 1,815,924	$ -	$ -
Total Intragovernmental Assets	$ 1,815,924		

Intragovernmental Liabilities by Trading Partner:

Trading Partner	Accounts Payable	Other Liabilities
Library of Congress (03)	$ -	$ -
Government Printing Office (04)	-	-
General Accounting Office (05)	-	-
U.S. Capital Police (09)	-	-
U.S. Postal Service (18)	-	-
Department of State (19)	-	-
Department of Treasury (20)	-	-
Office of Personnel Management (24)	-	4,548
General Services Administration (47)	-	-
Department of Transportation (69)	-	-
Other Material Agency (Please List)	-	-
Others - Immaterial Agencies (Please List)	-	-
Total	$ -	$ 4,548
Total Intragovernmental Liabilities	$ 4,548	

Chart A-1: FY06 FFMIA Corrective Action Plan			
	First Target Correction Date	**Current Status**	**Second Target Correction Date**
1. Ensure the Assessment of GSA's Financial System to Determine Compliance with OMB Circular A-127	FY06	Pending	FY07
2. Establish Controls (i.e., reconciliation procedures) that Ensure GSA's Reporting to the Commission is Complete And Accurate	FY06	Implemented	N/A
3. Obtain an SAS 70 Report for NFC and GSA to Review for compliance with FFMIA	FY06	Implemented	N/A

Chart A-2: Status of FY05 FFMIA Corrective Actions				
	Weakness First Reported	**First Target Correction Date**	**Status**	**Second Target Correction Date**
1. Retain an Appropriate Accounting Services Provider with Systems Fully Compliant with the Joint Financial Management Improvement Program (JFMIP), OMB Circular A-123 on Internal Control Over Financial Reporting, and OMB Circular A-127	FY05	FY06	Implemented	N/A
2. Hire a director of the Budget and Finance	FY05	FY06	Implemented	N/A
3. Assess the Clarity and Consistency of Agency Controls (Including Upfront Manual Processes), and Their Effectiveness in Achieving the Objective of Reasonably Ensuring the Integrity of Information Relied Upon By Program Managers and Other Decision-makers	FY05	FY05/FY06	Implemented	N/A
4. Issue Administrative Instructions Intended to Improve Financial Accountability (AI 3-15 on Recognition of Payroll Expenses in the Proper Period for Accounting Purposes, AI 3-16 on ensuring Non-Salary Expenditures Have Proper Authorization, Approval, and Supporting Documentation, and AI 4-21 on Procurement, File Maintenance, and Reporting Procurement Activity)	FY05	FY05	Implemented	N/A
5. Engage in Bi-weekly Meetings	FY05	FY06	Implemented	N/A

Chart A-2: Status of FY05 FFMIA Corrective Actions				
	Weakness First Reported	**First Target Correction Date**	**Status**	**Second Target Correction Date**
Between Key Commission Staff and Members of the Accounting Services Team to Identify and Resolve Any Issues including Process, Information Exchange/Communication, and Reporting				
6. Determine that all NFC and GSA have Performed or Will Perform an SAS 70 Review for Each Fiscal Year	FY05	FY06	Implemented	N/A
7. Review and Reconcile Budget Information, including Status of Funds Reports, Provided by GSA to Ensure Completeness and Accuracy	FY05	Late FY06	Implemented	N/A

Chart A-3: FY06 FISMA Corrective Action Plan			
	First Target Correction Date	**Status**	**Second Target Correction Date**
1. Retain an Information Technology Specialist (not a FISMA POAM item)	FY06	Implemented	N/A
2. Conduct Independent Review of Systems	FY06	Pending	FY07
3.Conduct Penetration Testing	FY06	Pending	FY07
4. Obtain Systems Certification/Accreditation	FY06	Pending	FY09
5. Develop a COOP Plan	FY06	Pending	FY07
6. Create Written Authorization to Operate System on Interim Basis	FY06	Pending	FY08
7. Maintain Written Records of Disposal Actions	FY06	Pending	FY09
8. Install Intrusion Protection System	FY06	Pending	FY07
9. Use Digital Signature	FY06	Pending	FY09

Chart A-4: FY06 Corrective Actions for FMFIA Control Deficiencies			
	First Target Correction Date	**Current Status**	**Second Target Correction Date**
1. Create Budget Call, Execution, and Formulation Guidance	FY06	Implemented (August 2006)	N/A
2. Retain a Contractor to Assist ASCD and BFD in Locating and Filing Supporting Documentation for their Files	FY07	Implemented	N/A
3. Direct the Director of Human Resources to Review and Approve the Timekeeper's Time and Attendance Information Before and After it is Placed into the System to Compensate for a Design Flaw in the NFC Payroll System	FY06	Implemented	N/A
4. Strengthen Adherence to AI 3-14 on Travel by BFD, Including Maintaining Travel Files that Include Supporting Documentation	FY07	Ongoing	N/A
5. Monitor ASCD's Use of Existing Document Control Forms to Ensure Procurement Documents are Available and Can be Produced for Inspection	FY07	Ongoing	N/A
6. Revise Guidance on Reporting and Time and Attendance and the Responsibilities of Various Reviewing/Approving Officials to Minimize Errors and Abuse	FY07	Pending	N/A
7. Instruct ASCD and BFD to use Credit Card and Telephone Calling Call Certification Forms to Document Receipt of the Card(s) by the Employee	FY7	Implemented	N/A
8. Review and Revise (as necessary) Existing Policies to Reinforce to all Staff that Calling and Credit Cards are for Official Use Only	FY07	Pending	N/A
9.Use the Senior Management Council to Review and/or Coordinate FMFIA Assessment Results and Corrective Plans	FY07	Underway	N/A
10. Communicate and Enforce AI 1-13 on FMFIA Assessments	FY07	Pending	N/A
11. Ensure that the Financial Management System Complies with OMB Circular A-127 on Financial Management Systems	FY07	Pending	N/A

Chart A-5: FISCAL YEAR 2006
BRIEFINGS/HEARINGS: PLANNED v. ACTUAL ACCOMPLISHMENTS

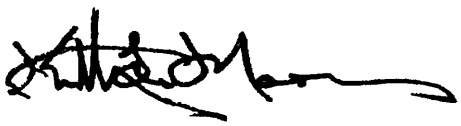
	Planned Briefing Held	Planned Briefing Report Approved	Met Goal	Comments
Reauthorization of the Temporary Provisions of the Voting Rights Act	YES	YES	YES	
Voting Rights Enforcement and Reauthorization: The Department of Justice's Record of Enforcing the Temporary Provisions of the Voting Rights Act (VRA)	N/A	YES	YES	This is FY06 the Statutory Report
An Assessment of the Effectiveness of Historically Black Colleges Universities	YES	NO	N/A	On Track to Meet Goal; Report is Pending
Representation of Minorities in the Census	YES	NO	N/A	On Track to Meet Goal; Report is Pending
Campus Anti-Semitism	YES	YES	YES	
Disparity Studies as Evidence of Discrimination in Federal Contracting	YES	YES	YES	
Hawaiian Government Reorganization Act	YES	YES	YES	
Law School Affirmative Action	YES	NO	N/A	On Track to Meet Goal; Draft Briefing Report is Pending
Racial Diversity in Grades K through 12	YES	NO	N/A	On Track to Meet Goal; Report is Pending
Racially Identifiable School Districts in Omaha	YES	NO	N/A	On Track to Meet Goal; Report is Pending

APPENDIX B

MANAGEMENT AUDIT RESPONSE

MEMORANDUM

TO: Roy G. Layne
Partner
Walker& Company, LLP



FROM: Kenneth L. Marcus
Staff Director

DATE: November 15, 2006
RE: Management Audit Response

The Commission has demonstrated a strong commitment to improved financial management since its December 2004 leadership transition. In early 2005, this commitment was evidenced by the Commission's decision to implement approximately 50 GAO management initiatives aimed primarily at improving financial management and creating agency accountability. Many of these reform initiatives were developed and implemented during FY 05 but were not in place for a sufficiently long period to have demonstrable impact on the FY 05 audit. Additional reforms were implemented during FY06, and others will be implemented in FY07 as the agency continues monitoring and evaluating its internal controls.

The Commission reports that in FY06 it resolved the majority of issues identified in FY05; however it recognizes the need to continue to monitor the effectiveness of it policies, practices, and procedures to ensure their appropriateness as controls over agency financial management. After reviewing the report, the Commission understands the specific audit report findings to be as follows:

I. Financial Statements

Statement of Net Cost:	Opinion
Statement of Net Position:	Opinion
Statement of Budgetary Resources:	Opinion
Financing:	Opinion
Balance Sheet:	Opinion

The financial statements present fairly, in all material respects, the financial position of the United States Commission on Civil Rights as of September 30, 2006 and its net cost, changes

in net position, budgetary resources, and financing for the year then ended in conformity with accounting principles generally accepted in the United States of America.

II. Internal Control

Two material weaknesses:

- Lack of adherence to the review and approval process resulting from poor implementation of internal controls.
- Human capital needs resulting from significant turnover of staff in several fiscal positions.

Two reportable conditions:

- Travel expenses not properly supported due to manual transfer of travel authorization and voucher information within the agency for non-local employees.
- Lack of supporting documentation and inadequate file maintenance.

III. Legal Compliance

- Failure to comply with the Federal Financial Management Improvement Act (FFMIA) resulting from non conformance with reconciliation procedures.
- Failure to comply with the Federal Information Security Management Act (FISMA).
- Failure to comply with the Accountability of Tax Dollars Act of 2002.

Based on the conditions and findings in the report, several recommendations were made for corrective action. The Commission is pleased to receive these recommendations and believes that it has already made some progress toward implementing them. That said, however, work remains to be done and the newly implemented policies and processes remain to be tested during FY07.

The conditions identified in the audit report are generally consistent with the previous findings from the FY05 audit report. As a result of ongoing efforts, the Commission has resolved the majority of issues identified in FY05. Many new policies and procedures were put into place during calendar year 2005 that did not realize their full potential until FY06 and still others will be realized in FY07. Most of the recommendations in the audit report have been, or will be, resolved through the agency's current reform efforts while others will require additional corrective measures. Below is a summary of the findings, recommendations, and the Commission's corrective measures.

IV. Internal Control Findings, Recommendations, Corrective Actions

Finding: Lack of Adherence to the Review and Approval Process

Recommendation 1: There were no exceptions in our testing with the Prompt Payment Act; however, the Commission needs to focus on tightening the execution and

oversight of its controls over the review and approval process while continuing to comply with the Prompt Payment Act.

Corrective Action:

Ensure that the Administrative Services and Clearinghouse Division and the Budget and Finance Division utilize the procurement checklist to ensure all necessary documents are filed properly.

Re-enforce current policies requiring the date stamping of invoices to ensure compliance with the Prompt Payment Act.

Conduct a quarterly review of procurement and travel files to ensure that documents are signed, approved, and readily available.

Review account classification codes with financial staff to ensure proper coding. Train new staff as necessary.

The Commission planned to fill the Procurement Specialist position in FY06, however, due to a delay of recruitment efforts by the Office of Administrative Services, and subsequently a lack of qualified candidates it was unable to fill the vacancy. . The Commission is in the process of interviewing for the position, and anticipates this vacancy will be filled in FY 07 and will address many of the procurement deficiencies reported in the audit.

The Administrative Services and Clearinghouse Division will be required to send copies of purchase orders to the Budget and Finance Division simultaneously when they send copies to the GSA.

Finding: USCCR Needs to Address Human Capital Needs

Recommendation 1: We recognize management's efforts to hire competent and experienced personnel and its implementation of training sessions as recommended in the fiscal 2005 audited report. We strongly recommend that USCCR management continue providing job training and cross training sessions to staff who are yet to be trained as well as all staff on an on-going basis

Corrective Action:

Training Procurement and Budget Staff

In October 2005, the Commission hired new staff in the Budget and Finance Division. This new staff was responsible for the overall review and reconciliation of the Commissions financial statements. To compensate for skills gaps that became apparent during FY06, the Commission used a

consulting firm to develop a desk manual and procedures for the Budget and Finance Division. This manual explains in detail budget formulation procedures, budget execution procedures, generating reports from the GSA system, financial statement crosswalk, and reconciliation procedures. During FY07, the use of the manual and compliance with other controls by budget staff will be periodically monitored.

Finding: Travel Expenses are not Properly Supported.

Recommendation 1: We recommend that USCCR management provide staff training and enforce its revised travel policy to ensure that all submissions are thoroughly reviewed for accuracy and allowability. All travel vouchers should be properly maintained with complete supporting documentation.

Corrective Action

The Commission will enforce its comprehensive travel policy as issued in January 2006. The Commission will also conduct in-house re-training of all responsible staff on the application of its ravel policy, including those responsible for preparing, approving, certifying, and submitting travel authorizations and vouchers. Also those responsible for maintaining agency travel records and files.

Finding: Failure to Properly Execute Procedures Governing the Preparation of Supporting Documentation and File Maintenance

Recommendation: None Made

Corrective Action
Enforce procurement checklist. Develop a sign/in sign/out system of when files are removed staff should know who signed the file out and the disposition of the file. Institute a quarterly review of files to ensure all supporting documents are contained in the files.

V. Compliance with Laws and Regulations Findings, Recommendation, and Corrective Action

Finding: The Commission has not complied with the Federal Financial Management Improvement Act.[3]

Recommendation: Management needs to better monitor its budgetary resources.

In late FY06, the Commission in conjunction with an experienced accounting firm, created reconciliation procedures to review and reconcile budget information provided by its accounting services provider. These detailed written procedures will

enable the agency to determine the accuracy and completeness of each of the financial reports prepared and provided by its accounting services provider. Budget Staff will be required on a monthly basis to use the detailed reconciliation procedures to reconcile all financial reports and report the findings to the Director, Office of Management and to the Staff Director.

Finding: The Commission Does Not Fully Comply with the Federal Information Security Management Act (FISMA)

Recommendation: None Made. The Commission previously completed a FISMA report identifying 8 deficiencies that are currently being reported quarterly to OMB.

Corrective Action: The staff position of Information Technology Specialist was vacant during the most of FY06. This position is responsible for ensuring agency compliance with FISMA.

In May, 2006 the Commission hired a new Information Technology Specialist. The IT Specialist is currently working on a time table to correct 8 deficiencies reported to OMB.

Finding: The Commission has not Complied with the Accountability of Tax Dollars Act of 2002.

Recommendation : None Made

Corrective Action

In February of 2006 the Commission began the process of retaining an auditing firm to conduct the annual audit, and in June of 2006, worked commenced with the auditing firm of Walker and Company. This action was initiated at least 7 months earlier than in the previous year. The Commission anticipates that future procurement actions for auditing services and auditing work will also be timely undertaken.