

## **FINAL MINUTES**

### **COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED**

Thursday, September 11, 2008  
9:00 am – 1:00 pm

Mr. Andrew Houghton, Committee Chairperson, called the meeting to order at 9:00 am. In accordance with Committee practice, he asked attendees to introduce themselves.

#### **I. Remembrance of 9/11**

Mr. Houghton and the Committee staff began the meeting with a remembrance of 9/11. Mr. Houghton read a quote commemorating the occasion and asked for a moment of silence to remember those who lost their lives on that horrific day.

#### **II. Awards Presentation**

Mr. Houghton announced that Patricia Cleveland, Defense Logistics Agency (DLA), has been named AbilityOne's Most Valuable Liaison for 2008. Mr. Houghton said the AbilityOne liaisons are the "front line" providing their federal agencies, the Committee, NIB, NISH and nonprofit agencies with procurement news and information. Ms. Cleveland is a Procurement Analyst in the Office of Small Business Programs at DLA and for more than 17 years she has been an advocate for the AbilityOne Program.

During Ms. Cleveland's tenure, she has supported five DoD Committee members. She has been involved in National Disability Employment Awareness Month events and has been instrumental in initiating memorandums of support. Mr. Houghton presented Ms. Cleveland with a plaque for her outstanding contributions and exemplary leadership.

Next, Mr. Houghton announced that the 2006 Most Valuable Liaison Award recipient, Mark Opilla would be retiring from the Department of the Navy. Mr. Opilla has worked with the AbilityOne Program since July 2003 as a Procurement Analyst in the Small Business Office of the Naval Supply Systems Command. Mr. Opilla has served as a facilitator and advisor to Navy contracting offices, while working with AbilityOne participating nonprofit agencies, assisting them in the development of products and services. Mr. Opilla has also made significant contributions to the work of the Committee's Finance and Information Management subcommittee and to the AbilityOne Program's Strategic Plan. Mr. Opilla has supported six admirals during his tenure. Mr. Houghton presented Mr. Opilla with a plaque of appreciation for his outstanding support of the AbilityOne Program.

Lastly, Mr. Houghton announced that Patrick Rowe, Deputy Executive Director, would be retiring at the end of October. Mr. Rowe has been with the Committee staff since 2003, and recently served as Acting Executive Director after the departure of Leon Wilson. Mr. Rowe

committed himself to ensuring the Committee was recognized as a Federal agency and he standardized the Procurement List Pipeline. Mr. Rowe served as a regularly featured speaker at the AbilityOne Academy, national and regional conferences, and other events promoting the Committee's agenda and messages. Mr. Houghton presented Mr. Rowe with a set of coasters in appreciation for his support of the AbilityOne Program.

Mr. Robert Chamberlin, President and CEO of NISH, presented Mr. Rowe with NISH's President's Award. Mr. Dennis Fields was unable to attend so Mr. Chamberlin presented the plaque on his behalf. Mr. Chamberlin noted that the standardization of the PL was greatly needed and Mr. Rowe was instrumental in establishing PLIMS.

Mr. Kevin Lynch, President and CEO of National Industries for the Blind (NIB), acknowledged Mr. Rowe's support of him during critical issues and during the time he acted as Interim President. Mr. Lynch said he would present Mr. Rowe with his plaque before the end of the meeting.

### **III. Consideration of Minutes – July 10, 2008**

Mr. Houghton asked Ms. Angela Phifer, Committee Executive Assistant, if there were any changes to the July 10, 2008. She said there were no changes. Mr. James Omvig, Committee Vice Chairperson, made a motion that the minutes be accepted. His motion received a second from Ms. Kathy James, Department of the Air Force, and the minutes were adopted by unanimous vote.

### **IV. Preliminary Analysis of FY 2008 PL Additions and Deletions**

Ms. Patricia Briscoe, Committee staff, gave a short synopsis of the Procurement List (PL) addition process. She then reviewed the FY 2008 PL Preliminary results. The review included additions and deletions. Mr. Houghton asked Ms. Briscoe to compare this year's number of additions/deletions versus last year's. Mr. Chamberlin said that from NISH's vantage point, there has been a significant reduction in what was originally projected. He said this is a reflection of the current challenges they are faced with. Mr. Lynch said NIB is slightly ahead of what was projected.

### **V. Compliance Program Overview**

Mr. Lou Bartalot, Committee staff, gave an update on the Compliance Program. In February 2008, the Committee voted to make a number of changes to the Compliance Program. He discussed the eight changes that have already been implemented and the three changes that with the assistance of the Planning and Evaluation subcommittee are still being worked on. According to Mr. Bartalot, Mr. Paul Laird, Department of Justice, has been very helpful in working with the staff on this issue.

The Committee staff has an opening for a Program Analyst to join the Compliance Team. Mr. Bartalot hopes to make a job offer next week.

Mr. Houghton asked how Compliance is being done since the changes. Mr. Bartalot said the CNAs are doing regulatory assistance and essentially following the same procedures they have done in the past. The CNAs help to determine what agencies have problems and help the staff to prioritize visits. Mr. Houghton commented that more staff is needed to do proper Compliance visits. Mr. Bartalot believes that if there are three people on staff, he is confident that the staff can reach its goal of visiting every nonprofit agency on a five-year cycle.

Mr. Chamberlin said, in accordance with Committee staff guidance, NISH does visits once every three years and the visits are done with more rigor. Additionally, NISH identifies by AbilityOne sales, the top 25 CRPs and conducts visits to these agencies as well.

Mr. Bartalot said Ms. Maggie Hansen, Committee staff, has been drafting a self-audit manual to help nonprofit agencies. There is some testing that needs to be done and some format changes are needed. Ms. Ballard hopes that some of the targeted goals will be accomplished in 18-24 months. Mr. Chamberlin said NISH continues to work with the regional offices.

Mr. Houghton commented that Compliance is one of the vulnerable aspects of the program and options should be considered to beef up the ability to perform this function. In recent meetings with the Senate, interest in this function has been expressed. Ms. Ballard said the Committee staff hopes to hire a Policy Director to balance out the requirements.

## **VI. Regulatory Mapping Project**

Mr. Dennis Lockard, Committee General Counsel, reported that the Committee has obtained the services of former General Counsel, John Heyer to work on a mapping project to describe the correlation between the Program's statute and regulations. Mr. Heyer will map the authorities in the statute and how that authority is implemented through the Committee regulations. Mr. Heyer will be working on a on a part-time basis, but hopes to have considerable progress by the November Committee meeting.

Mr. Houghton said this is a major initiative and will be a valuable tool for the Committee to have when addressing possible new legislation and regulations. He encouraged close oversight of the project to ensure its timely completion.

## **VII. Presentation by ServiceSource**

Ms. Janet Samuelson, CEO of ServiceSource gave a presentation to the Committee. The ServiceSource network is comprised of four affiliated nonprofit agencies, sharing one Board of Directors and one senior management team. ServiceSource employs 1,206 people with disabilities and its total revenue is \$120 million.

Ms. Samuelson spoke about their strong rehabilitation and support programs. She said ServiceSource has a wide variety of programs in addition to AbilityOne. Over 10,000 people are served annually through job placement, evaluation, case management and other support programs.

Ms. Samuelson spoke about the history of ServiceSource and AbilityOne and its partnership with people with disabilities. ServiceSource has been an AbilityOne provider since 1981 and ServiceSource has 52 AbilityOne contracts with 27 Federal agencies. ServiceSource does services such as secure mail centers, food services, administrative supports and medical product integration.

One of ServiceSource's major contracts is with IRS. It is the prime for mail services and has 52 nonprofit agencies subcontracting including 10 NIB agencies.

Ms. Samuelson noted that "low lying fruit" are gone from the marketplace and low cost, innovation and flexibility is now required. Many government services are now "bundled" which requires partnering to respond.

Ms. Samuelson discussed ways that the Committee can address issues that will promote the long-term effectiveness and viability of the program. She said the embedded CNA fee has led to customer perceptions that the fee is a cost component that is fully negotiable if and when cost pressures arise. This creates a costing dilemma for providers who are caught between the customer and CNA. Ms. Samuelson said when the NISH Board deferred the fee for two years the percentage of the fee will go up and it becomes problematic. Mr. Houghton asked how the fee was presented in the past. Ms. Samuelson responded that it was clearly separated.

Next, there was a discussion regarding the general and administrative (G&A) expense recovery. Ms. Samuelson said "safe harbor" and out-year full G&A recovery are vital to the long-term success of AbilityOne providers. Mr. Houghton asked Ms. Samuelson to explain what she meant by out-year. She said the out-year agreement means a contract is held to that value for all the remaining renewals of the contract. Presuming that all indirect costs go up, the G&A rate declines over the life of the contract. Ms. Ballard inquired about fixed-price contracts comparison and Ms. Samuelson responded that some elements of contracts have different components, but exceptions can always be negotiated. Mr. House asked about the average G&A rate, and Ms. Samuelson responded that it is 9.5 percent. Ms. Ballard said most AbilityOne contracts are fixed-price. Mr. Rowe said some are cost contracts such as DSCP, but most are for readily available products.

Ms. Samuelson discussed market pricing impact on disability employment. She said the "market price" is generally interpreted as the lowest possible cost. This creates unnecessary suitability barriers and limits participation for people with the most severe disabilities and barriers to employment. Mr. Houghton said the Committee never said it offered the lowest price.

Ms. Samuelson said some of the changes that have been made are beginning to affect ServiceSource's credibility and the partnerships they have established. Ms. Samuelson recommended that AbilityOne make some needed improvement to the program by taking action to separate the CNA fee, attempt to reestablish a safe harbor G&A fee, return to true "fair market" pricing that is closely tied to a statement of work (SOW) and design and implement systems for qualified subcontracts of the procurement list.

There was more discussion from the members and Mr. Poleo stated that this isn't a set-aside program so he was somewhat conflicted. Mr. Lynch agreed that ServiceSource should ask the Committee to go back through the educational process with 18-month audits.

Mr. Houghton said the mapping project could help with some of the issues. Mr. Chamberlin stated that NISH never agreed or supported the changes that were made. Mr. Houghton suggested that Ms. Ballard take a look at the situation and give a fresh perspective on the situation. He said this is more of a procedure issue, not at a policy level. He also said the Finance subcommittee should research the issue. Mr. Poleo added that Ms. Ballard can see how much can be improved and make suggestions where there are gaps.

Mr. Houghton asked if any of the members could offer any advice. Mr. Poleo asked what would be the incentive to reduce it and Admiral Thompson agreed with him. Mr. Lynch said this is a long decision making process and the contracting officers must be informed as to how to apply it. He said NIB has had multiple audits. Mr. Houghton suggested that the staff look at the original policy from May 2004 and consider updating the memorandums.

Mr. Chamberlin restated that NISH never agreed to the change. Mr. Houghton asked that the policy be reviewed.

#### **VIII. Status of Legislative Recommendations**

Mr. Dennis Lockard, Committee Counsel, reported on the status of Committee's legislative recommendations. He said that the Senate Oversight Committee staffers have been very generous in having regular meetings with Committee staff on the recommendations and they have identified some areas of concern.

Mr. Lockard indicated that Senator Enzi recently introduced a bill that included changes to the JWOD Act and The Randolph-Sheppard Act. Senator Enzi's bill was significantly more complex than the Committee recommendations. The Committee is being advised by the Senate HELP Committee staff that it will be important to address some of the concerns of Senator Enzi in any legislation proposed by the Committee.

Mr. Houghton stated that he hopes to have progress on the proposed legislation done by the next session of Congress. The Oversight Committee staff is helping the Committee focus on clarifying the roles and responsibilities of the CNAs. The staffers identified some other concerns including the definition of disability, the expedition of procurement list additions and the impact additions may have on small business.

Mr. Omvig asked if questions were raised regarding Randolph-Sheppard. Mr. Houghton responded that the Committee was asked about a merger and having areas of collaboration but it was not expected that any legislation would include Randolph-Sheppard.

## **Litigation Update**

Mr. Lockard gave an update on litigation pending against the Committee. He said there are two cases still pending in Federal Bankruptcy Courts that involve nonprofit agencies that filed for bankruptcy protection and have initiated action against the Committee for actions taken prior to bankruptcy. The two cases are Advocacy and Resource Corporation (ARC) and Positive Access and both are still pending resolution.

Mr. Lockard said the Platte River Industries case is still pending in Federal District Court in Colorado. The Committee filed a motion in the middle of August for judgment in the Committee's favor and is waiting for the plaintiff to respond.

## **IX. Executive Director's Report**

Ms. Tina Ballard, Executive Director, reported on recent activities. Ms. Ballard met with Frank Anderson, Defense Acquisition University (DAU), to discuss the establishment of a Memorandum of Agreement (MOA) by the end of November. This MOA will implement AbilityOne's pricing process into DAU courses and webinars will be made available.

Ms. Ballard announced that the Committee approved the establishment of the Osborne "Oz" Day AbilityOne Awareness Award. The award will honor a federal agency employee or agency subcomponent for exceptional AbilityOne promotional efforts throughout the federal and local community. The nomination period is officially open, and more information about a closing date will be forthcoming from the staff. The Committee's intent is to present the inaugural award at the NIB Annual Conference in Houston this October.

Next, Ms. Ballard gave an update on a major business development initiative that she along with Mr. Chamberlin and Mr. Lynch have been involved in to double the Department of Defense's AbilityOne business over the next five years. She said Mr. Shay Assad, has made a verbal commitment to reach the goal. She also provided the members with a signed copy of the memo of support from Mr. Assad.

Ms. Ballard said the AbilityOne Program has been highlighted and promoted among the defense community since the DoD Procurement Conference in May. Several follow-up initiatives are underway including meetings with the Defense Agency senior procurement executives and defense industry leaders. The first meeting is scheduled for October 16<sup>th</sup>. During the last Committee meeting, Mr. Chamberlin and Mr. Lynch mentioned some of the new opportunities being developed as a direct result of the initiative. Mr. House commented that the DoD support is critical and will be great for the program.

Ms. Ballard reported on the four regional NDEAM events that are scheduled. The Committee staff will provide members with a schedule so they can encourage agency employees in the area to attend. The Committee staff attended the NDEAM event at USDA on October 1<sup>st</sup>.

Ms. Ballard thanked Mr. Rowe for his support and leadership as Deputy Executive Director and asked the Committee to congratulate Ms. Kimberly Zeich as Mr. Rowe's successor.

## **X. Subcommittee Reports**

### **Planning and Evaluation (P&E)**

Mr. James Omvig, Chair of the Planning and Evaluation (P&E) subcommittee, said Mr. Lou Bartalot gave the P&E report earlier regarding the topic of Compliance.

### **Communications and Customer Satisfaction**

Mr. Omvig reported on behalf of Chair, Neil Romano. Mr. Robert Hartt, Committee staff, reviewed the subcommittee's activities which included development of "best practices" that lead to a quality work environment in participating nonprofits. He also spoke about developing career paths for direct labor workers, continuous training opportunities, and the strategic plan's vision of living wages no less than the federal minimum wage. The subcommittee plans to give final recommendations to the Committee in January 2009. The result of the effort will be a voluntary, self-certification document that NPAs can use to assess their own work environment.

### **Governance**

Mr. Andrew Houghton spoke on behalf of Dr. Ed Anthony, Chair of the Governance subcommittee. Mr. Houghton said the subcommittee discussed the mapping project and suitability criteria.

### **Business Development**

Mr. Felipe Mendoza, Chair of the Business Development subcommittee, reported on the August 14<sup>th</sup> meeting. Mr. Eric Beale, Committee staff, provided a presentation regarding a request from the Census Bureau to allow personal sales in a Base Supply Store located at the U.S. Bureau of Census campus in Suitland, Maryland. The intent of the store is to provide convenient access to AbilityOne products to the Federal employees who buy office products for their respective business units in an official capacity. There are no local businesses available to the complex employees and the employees have requested that they be allowed to make purchases in the store. The Census has made a request to the Committee to allow personal sales as a convenience to the employees. The Committee staff is continuing to review the request.

He also reported that Mr. Bill Allen, NISH, gave an excellent presentation on NISH products approach to federal customer relations. He mentioned that NIB provided a similar overview at the July meeting.

The members also received an update from Emily Covey, Committee staff, on spend analysis efforts and collaborative plans. Also during the meeting, Ms. Kyoung Lee provided an update on recommended updates to the FAR and DoD policy changes. Finally, Mr. Mendoza reported that the next meeting is scheduled for October 9<sup>th</sup>.

## **Finance & Information Management**

Mr. Tony Poleo, Chair of the Finance subcommittee, reported that the budget process is on track. He also said the subcommittee would be sending a letter to NIB concerning the revenues it receives from the base supply centers. Mr. Poleo noted that the October meeting would have to be rescheduled since he will be away.

### **XI. CNA Reports**

#### **NIB**

Mr. Houghton asked the Committee to congratulate Mr. Kevin Lynch, as the newly appointed President and CEO of National Industries for the Blind (NIB).

Mr. Lynch reported on NIB's recent activities. First he extended an invitation for everyone to attend the NIB/NAEPB Annual Training Conference in Houston, TX on October 22-24, 2008.

Mr. Lynch also reported on the recent changes to the FAR. In response to the changes, NIB is working with outside consultants to develop a contractor Code of Business Ethics, although these requirements are not included on the contract. Mr. Lynch also advised that NIB has successfully negotiated obtaining the AbilityOne.com URL from Patterson Medical Company. As a result, JWOD.com will move to AbilityOne.com beginning in January.

NIB has had a record year for JWOD.com with sales of \$4.5 million in August alone. Mr. Lynch said total sales for FY 2008 are expected to be in the range of \$32 to \$34 million, up from \$26 million last year. These numbers were achieved without any formal advertising or marketing. Mr. Lynch said JWOD.com has been a very important channel for NIB with 90 percent of sales from AbilityOne products.

#### **NISH**

Mr. Robert Chamberlin, President/CEO, reported on NISH's activities. First, he discussed the NDEAM events that he plans to attend in Santa Ana, California and Chicago, Illinois. He also reported on the Facilities Support Services project with Ft. Bliss' Department of Public Works. He said a number of additional Army locations are being pursued such as Ft. Polk, Louisiana.

He also mentioned a new research software tool called FedZoom which will provide new capabilities. Business Development is researching what can be done.

Mr. Poleo asked about the role the CNAs should have with the nonprofit agencies regarding recent hurricanes. Mr. Chamberlin responded that during Hurricane Katrina, NISH gave a significant amount of financial assistance to its agencies and employees. He said five million dollars was authorized to help.

Mr. Lynch said NIB does not have reserved funds for hurricane relief. NIB works through the Board of Directors when a natural disaster occurs. He said more planning must be done in case an agency has to relocate their operations.

### **XIII. New Business**

Mr. Houghton reported on his visit to Wright-Patterson and his participation in the 12<sup>th</sup> Annual Air Force Marathon.

Ms. Kathleen James, Department of the Air Force, reported on her August 13<sup>th</sup> visit to Travis Air Force Base and the Lighthouse for the Blind. She said she had a very good experience and would encourage all members to make visits to agencies.

The Air Force is changing the way in which it obtains Airmen Battledress Uniforms (ABUs) for its deployments. This change may result in changes to the way Government Purchase Cards (GPC) are used for such items at the BSCs. The ABUs may need to be purchased by individuals using their clothing allowance versus the unit purchasing as equipment. As a result, it may be necessary to revisit what methods of payment are acceptable to purchase ABUs at BSCs. Ms. James said if acceptable methods of payment are expanded beyond GPCs, new policy and training will need to be implemented.

Admiral Alan Thompson publicly thanked the Committee for their participation in the Navy Conference and gave a special thanks to Mr. Lynch for agreeing to be one of the speakers.

After determining there was no further business, Mr. Houghton adjourned the meeting at 12:15 pm and the members had a brief executive session.

## **List of Attendees – September 11, 2008**

### **Committee Members**

Robert Henke	Department of Veterans Affairs
Andrew Houghton	Private Citizen
James House	Department of Agriculture
Kathleen James	Department of the Air Force
Robert Kelly	Private Citizen
Paul Laird	Department of Justice/UNICOR
Patrick Leahy	Department of Commerce
Felipe Mendoza	General Services Administration
James Omvig	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
Alan Thompson	Department of the Navy

### **Committee Staff**

Tina Ballard  
Lou Bartalot  
Patricia Briscoe  
Robert Hartt  
Stephanie Hillmon  
Stephanie Lesko  
Barry Lineback  
Dennis Lockard  
Connie Mehr  
Angela Phifer  
Patrick Rowe  
Kimberly Zeich

### **NISH**

Robert Chamberlin  
Barbara Van Allen

### **NIB**

Steve Brice  
Kevin Lynch  
Arun Shimpi

## List of Attendees – September 11, 2008 (Continued)

### Government Representatives/Staffers

Chris Button	Department of Labor/ODEP
Patricia Cleveland	Department of Defense/DLA
Aaron Collmann	General Services Administration
John Davey	Department of Labor/ODEP
Vince Gonzalez	Department of the Air Force
Mark Opilla	Department of the Navy
Glen Savory	Department of the Air Force
Derek Underwood	Department of Veterans Affairs

### Others

Ellen Brown	Goodwill
Mark Hall	ServiceSource
Sharon Omvig	Private Citizen
Stephen Patterson	SABVI
Janet Samuelson	ServiceSource