

# U.S. ABILITYONE COMMISSION

## FISCAL YEAR 2015 PERFORMANCE AND ACCOUNTABILITY REPORT (PAR)



*Established as the  
Committee for Purchase From People Who Are Blind or Severely Disabled  
under the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506)*

*The U.S. AbilityOne Commission administers the AbilityOne Program.*



## TABLE OF CONTENTS

|  |    |
|--|----|
| Section 1: Agency and Mission Information .....                                | 2  |
| 1.1 Overview .....   | 2  |
| 1.2 Mission Statement .....  | 3  |
| 1.3 Vision Statement .....   | 3  |
| 1.4 Organizational Structure.....  | 3  |
| 1.5 Commission Members.....  | 5  |
| 1.6 Commission Staff Organization .....  | 6  |
| 1.7 Commission Meetings.....   | 6  |
| 1.8 Scope of Responsibilities .....  | 7  |
| Section 2: Performance – Strategic Goals, Objectives, Updates, Next Steps..... | 8  |
| 2.1 Strategic Goals Overview.....  | 8  |
| 2.2 Effective Stewardship.....   | 9  |
| 2.3 Employee and Customer Satisfaction.....                                    | 11 |
| 2.4 Employment Growth .....  | 14 |
| 2.5 Business Excellence .....  | 16 |
| Section 3: Other Information .....   | 19 |
| 3.1 Major Management Priorities, Challenges and Risks .....                    | 19 |
| 3.2 Cross-Agency Collaborations.....   | 19 |
| 3.3 Evidence Building (Research and Evaluation).....                           | 20 |
| 3.4 Data Validation and Verification .....                                     | 21 |
| 3.5 Lower Priority Program Activities .....                                    | 21 |
| Section 4: Financial Information Including Audit Report .....                  | 22 |

## Section 1: Overview

### 1.1. Overview

The U.S. AbilityOne Commission (hereafter Commission) is an independent Executive Branch entity that was established as the Committee for Purchase From People Who Are Blind or Severely Disabled under the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506.) The statute authorizes the Commission to guide and oversee an employment program for people who are blind or have other significant disabilities, known as the AbilityOne Program. The program currently provides job opportunities to more than 45,000 Americans in this underserved segment of the nation's population. Through AbilityOne employment, these individuals are often able to reduce their dependence on disability benefits programs and to join the ranks of taxpayers. At the same time, Federal agency customers of the AbilityOne Program receive quality products and services, on time and at reasonable prices.

While jobs and economic security remain among the nation's highest domestic priorities, people who are blind or have other significant disabilities typically face the most barriers to full employment. The employment rate for working age Americans with disabilities was only 30 percent for the 2014 calendar year, and across all ages and education levels, individuals with disabilities have a higher rate of unemployment<sup>1</sup>. The Administration's commitment to empower people with disabilities emphasizes greater workforce participation, and the Commission's implementation of the AbilityOne Program mission makes significant contributions toward this goal. The Commission actively promotes the capabilities of people who are blind or significantly disabled, and directly generates and sustains employment by placing Government requirements for products and services to the AbilityOne Procurement List.

The AbilityOne Program's national network of participating nonprofit agencies is among the largest sources of employment for Americans who are blind or who have significant disabilities. These individuals work on AbilityOne projects in all 50 states, Puerto Rico and Guam, gaining experience, earning income and receiving tangible benefits. The AbilityOne Program is expanding opportunities for wounded warriors and other veterans with significant disabilities by developing jobs that leverage veterans' skill sets and enable them to live in the communities they call home. At the same time, the AbilityOne Program's Quality Work Environment (QWE) initiative is enhancing the overall nature of AbilityOne employment – promoting opportunities for our employees to do the work of their choice, with flexibilities and supports, at competitive wages, with access to training and services, and a clearly articulated career ladder.

The AbilityOne Program's delivery of employment opportunities, as well as quality products and services at fair market prices, is built on a foundation and spirit of performance, accountability and transparency. The Commission respectfully submits this FY 2015 Performance and Accountability Report (PAR) in accordance with OMB Circular A-11 Part 6 Section 210 (July 2015).

---

<sup>1</sup> U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release, Persons with a Disability: Labor Force Characteristics, and Table A., June 16, 2015 [retrieved November 9, 2015].

## **1.2. Mission Statement**

The U.S. AbilityOne Commission and the AbilityOne Program create employment opportunities for people who are blind or who have other significant disabilities in the manufacture and delivery of products and services to the Federal Government.

## **1.3. Vision Statement**

The vision of the AbilityOne Program is:

*The AbilityOne Program enables people who are blind or have other significant disabilities to achieve their maximum employment potential.*

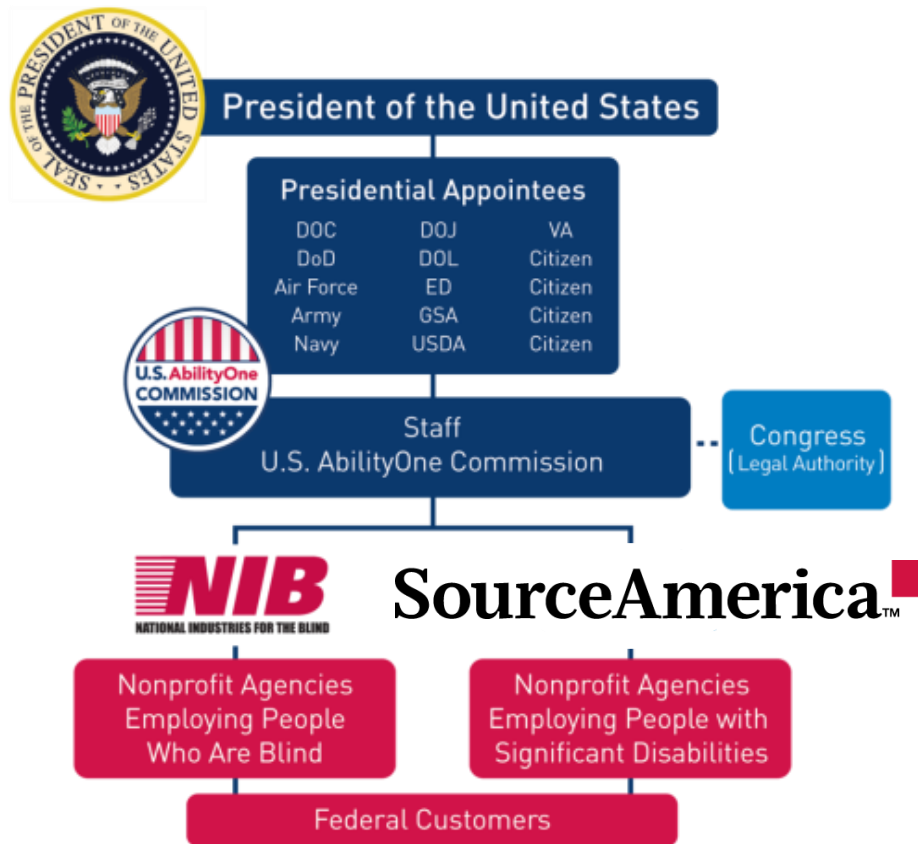
This vision will be realized when:

- ◆ Every person who is blind or significantly disabled and who wants to work is provided an opportunity to be employed productively.
- ◆ Every AbilityOne employee earns not only the Federal minimum wage (or higher applicable state or local minimum wage) but also a living wage and benefits package appropriate to his or her geographic locality.
- ◆ AbilityOne employees are provided the training and development they need to be successful in their current positions, and ultimately achieve their maximum employment potential.
- ◆ Every AbilityOne employee is provided the opportunity, with or without accommodations, to advance to his or her maximum employment potential, including internal or external competitive placement or management and administrative positions.
- ◆ All AbilityOne products and services provide best value to Federal customers, thus earning their continued support and loyalty.

## **1.4. Organizational Structure**

The Commission is comprised of 15 Presidential appointees by law, and had a full-time staff of 25 at the end of FY 2015. In accordance with the enabling legislation, a unique public-private structure is in place to administer and support the AbilityOne Program. The Act directs the Commission to designate one or more central nonprofit agencies (CNAs) to assist it in implementing the AbilityOne Program. The Commission has designated National Industries for the Blind (NIB) and SourceAmerica (serving people with a wide range of significant disabilities) to fulfill this role. NIB and SourceAmerica assist approx. 565 private not-for-profit agencies and/or State agencies that participate in the AbilityOne Program; they also provide support to the AbilityOne Program's Federal customers. The nonprofit agencies deliver quality supplies and services to Federal customers, thereby creating employment for the target population.

The AbilityOne Program organization structure is illustrated below.



**Figure 1. AbilityOne Program Fiscal Year 2015 Organizational Structure.**

The President appoints 15 members to the U.S. AbilityOne Commission, who provide oversight and guidance to the Agency and make determinations about products and services suitable for the Procurement List. Eleven of the members are appointed to represent Federal agencies, while four members are private citizens representing the employment concerns of people who are blind or who have other significant disabilities. This diversity in membership ensures that the Commission is able to consider and balance the employment needs of people who are blind or significantly disabled with the procurement needs of the Federal Government.

In FY 2015, the Commission elected James M. Kesteloot, a private citizen from Chicago, Illinois, representing the employment concerns of nonprofit agency employees who are blind, to serve as its Chairperson. Mr. Kesteloot succeeded J. Anthony Poleo, who continues to represent the Department of Defense. The Commission elected Lisa M. Wilusz, who represents the Department of Agriculture, to serve as Vice Chairperson. A full list of Presidential appointees serving on the U.S. AbilityOne Commission at the end of FY 2015 follows.

## **1.5. U.S. AbilityOne Commission Members as of September 30, 2015**

### **James M. Kesteloot, *Chairperson***

Private Citizen Representing Nonprofit Agency Employees who are Blind

### **Lisa M. Wilusz, *Vice Chairperson***

Director of the Office of Procurement and Property Management  
*U.S. Department of Agriculture*

### **Perry E. Anthony, Ph.D.**

Deputy Commissioner, Rehabilitation Services Administration  
*U.S. Department of Education*

### **Jan R. Frye**

Deputy Assistant Secretary, Office of Acquisition & Logistics  
*U.S. Department of Veterans Affairs*

### **Harry P. Hallock**

Deputy Assistant Secretary of the Army – Procurement  
*U.S. Department of the Army*

### **Robert T. Kelly, Jr.**

Private Citizen Representing Employment Concerns of People with Significant Disabilities

### **Anil Lewis**

Private Citizen Representing Employment Concerns of People who are Blind

### **Karen J. McCulloh**

Private Citizen Representing Nonprofit Agency Employees with Significant Disabilities

### **J. Anthony Poleo**

Director, DLA Finance/CFO  
*Defense Logistics Agency*

### **Thomas D. Robinson**

Associate Deputy Assistant Secretary (Contracting)  
*U.S. Department of the Air Force*

### **William A. Sisk**

Assistant Commissioner, Federal Acquisition Service  
*U.S. General Services Administration*

### **Virna L. Winters**

Director for Acquisition Policy and Oversight, Office of Acquisition Management  
*Department of Commerce*

**RADM Jonathan A. Yuen**  
Commander, Naval Supply Systems Command  
*U.S. Department of the Navy*

The Commission had two vacant positions at the end of FY 2015, the *U.S. Department of Justice* and the *U.S. Department of Labor* positions.

### **1.6. U.S. AbilityOne Commission Staff as of September 30, 2015**

A career member of the Senior Executive Service serves as the Commission's chief executive officer and leads the full-time civil service staff in carrying out strategic as well as routine business of the Agency. The staff handles all day-to-day AbilityOne-related business and prepares the information required by the Commission appointees for decision making. There were 25 FTEs on staff at the end of FY 2015; senior leaders are listed below.

#### Executive Team:

Tina Ballard, Executive Director  
Kimberly M. Zeich, Deputy Executive Director  
Kermit C. Jones, Chief of Staff  
Timi Nickerson Kenealy, General Counsel

#### Compliance Senior Leaders:

Louis R. Bartalot, Director, Compliance  
Amy B. Jensen, Deputy Director, Compliance

#### Information Technology:

Edward Yang, Chief Information Officer

#### Operations Senior Leaders:

Barry S. Lineback, Director, Business Operations  
Patricia Briscoe, Deputy Director, Operations (Pricing and Information Management)

#### Policy and Programs Senior Leaders:

Nancy K. Myrick, Director, Policy & Programs  
George Selby, Director, Communications

### **1.7. Commission Meetings**

The Commission held five official, public meetings during FY 2015, as follows:

October 8, 2014  
March 11, 2015  
May 6, 2015  
July 8, 2015  
September 28, 2015

## 1.7. Scope of Responsibilities

In accordance with the Javits-Wagner-O'Day (JWOD) Act (41 U.S.C. §§ 8501-8506), the Commission is responsible for administering a national employment program known as the AbilityOne Program, for people who are blind or who have other significant disabilities. The Commission leverages the purchasing power of the Federal Government, by directing the procurement of products and services that employ such persons. Over 45,000 individuals who are blind or significantly disabled have achieved employment through the AbilityOne Program, at approx. 565 community-based nonprofit agencies nationwide. These individuals worked more than 44 million hours in 2014, and earned nearly \$560 million, plus fringe benefits.

Among the major statutory functions carried out by the Commission are:

- Establishing rules, regulations and policies to assure effective implementation and oversight of the JWOD Act and the AbilityOne Program it authorizes.
- Increasing employment opportunities for people who are blind or have other significant disabilities – quite simply, job creation.
- Determining which products and services are suitable for provision by nonprofit agencies employing people who are blind or have other severe disabilities, and placing them on the AbilityOne Procurement List for Federal agencies' utilization.
- Determining fair market prices for the products and services delivered by the AbilityOne Program, and revising prices over time in accordance with changing market conditions.
- Monitoring participating nonprofit agencies' compliance with the JWOD Act, applicable regulations and procedures.
- Assisting Federal agencies to expand procurement from nonprofit agencies participating in the AbilityOne Program, and monitoring the compliance of both with Commission regulations and procedures.
- Designating and providing guidance to Central Nonprofit Agencies (CNAs) that facilitate nonprofit agencies' participation in the AbilityOne Program.
- Conducting continuing study and evaluation of mission execution to ensure effective and efficient administration of the Act.



## **Section 2: Performance -- Strategic Goals, Objectives and Indicators**

### **2.1. Strategic Goal Overview**

Broad strategic goals were established by the Commission and key AbilityOne Program stakeholders for the performance period FY 2010 – 2014, and were retained for the performance period FY 2014 – FY 2017. These goals pertain to all participants in the AbilityOne Program and are the cornerstones supporting mission execution and performance excellence. While the Commission is responsible for the direction and oversight of the Program, and monitors implementation of the Strategic Plan, the Central Nonprofit Agencies (CNAs) and AbilityOne participating nonprofit agencies are critical partners in achievement of the strategic goals.

#### **Goal 1. Effective Stewardship**

The Commission has the ultimate responsibility for the integrity, effectiveness and overall stewardship of the AbilityOne Program. Stewardship encompasses several oversight responsibilities related to monitoring and achieving compliance with statutory, regulatory and other requirements by all nonprofit agencies participating in the AbilityOne Program. Stewardship also means demonstrating leadership in promoting the AbilityOne mission across the Federal Government.

#### **Goal 2. Employee and Customer Satisfaction**

To truly empower an individual, employment must provide personal satisfaction as well as income. The AbilityOne Program has progressively pursued employee satisfaction, mainly through its Quality Work Environment (QWE) initiative, and has measured its results. While employee satisfaction is vital in its own right, it is also a driver of the second and equally important facet of this goal -- customer satisfaction. Ensuring excellent customer service earns the loyalty and support of Federal customers, and is equally important to fulfilling the employment mission of the AbilityOne Program.

#### **Goal 3. Employment Growth**

Employment growth is the most direct and critical goal in accomplishment of the AbilityOne mission. While the AbilityOne Program currently provides employment to more than 45,000 individuals, there are millions of Americans who are blind or significantly disabled that are currently unemployed or underemployed, who could benefit from the AbilityOne Program. Thus, it is critical to grow a wide variety of job opportunities by expanding existing products and lines of business, and by developing new markets in which our target population desires to work and receive training.

#### **Goal 4. Business Excellence**

As the Agency responsible for the effective administration of the AbilityOne Program, the Commission must execute several business processes directly linked to key stakeholders and

the employment mission. Three primary business processes that require attention, resources and coordination across agencies are (1) the Procurement List (PL) addition end-to-end process, (2) the fair market pricing (FMP) end-to-end process, and (3) Central Nonprofit Agency (CNA) fee ceiling determination and utilization.

## 2.2. Effective Stewardship Strategic Goal

The Commission is the Federal agency with oversight responsibility for the implementation of the JWOD Act and the AbilityOne Program. To provide effective stewardship, the Commission works to ensure the integrity of the AbilityOne Program by establishing and implementing a standard of 100% full compliance for the nonprofit agencies participating in the AbilityOne Program. The Commission requires and monitors corrective action by nonprofit agencies that are found noncompliant with the statutory or regulatory requirements.

### Strategic Objective 2.2.1.

*One hundred percent (100%) of AbilityOne-participating nonprofit agencies are in full compliance with all statutory and regulatory requirements.*

The Commission expects all AbilityOne nonprofit agencies to comply with the statutory and regulatory requirements in order to maintain their qualification and eligibility to participate in the Program. There is no acceptable level of noncompliance; however, AbilityOne participants are afforded the opportunity to remediate deficiencies. The consequences of noncompliance include nonprofit agencies being required to make in-person reports to the Commission; nonprofit agencies being placed on probation; suspension from consideration for AbilityOne work opportunities and/or removal of eligibility to participate in the Program. Determining nonprofit agency compliance is an inherently governmental duty that is performed solely by the Commission through on-site audits and agencies' annual reports containing certified data. The CNAs are responsible for providing education, regulatory assistance, monitoring and reporting.

The first measure of this objective has a very clear performance indicator, which is the number and percentage of nonprofit agencies found in compliance with the statutory requirement to have 75 percent or more of all direct labor hours performed by people who are blind or significantly disabled. Compliance with this requirement is based on a nonprofit agency's cumulative data for the fiscal year, which is certified and reported to the appropriate CNA before it is submitted to the Commission. The most recent year-end data available is from FY 2014 and shows that 541 out of 565 nonprofit agencies were in compliance with statutory or regulatory requirements. This represents 95.75% of the total nonprofit agencies participating in the program.

|                          | <b>FY 2010<br/>Results</b> | <b>FY 2011<br/>Results</b> | <b>FY 2012<br/>Results</b> | <b>FY 2013<br/>Results</b> | <b>FY 2014<br/>Results</b> |
|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Nonprofits in Compliance | 592/602                    | 582/606                    | 575/598                    | 552/579                    | 541/565                    |
| Percentage (Target 100%) | 98.3%                      | 96.04%                     | 96.15%                     | 95.34%                     | 95.75%                     |

**Table 1. Five-year results for AbilityOne nonprofit agency compliance.**

The Commission analyzed the reasons for the nonprofit agencies' failure to meet ratio compliance in FY 2014, and found that the most frequent occurrences were:

- The nonprofit agencies were unable to reach the necessary staffing level of persons with significant disabilities, due to a shortfall in recruiting or referrals;
- The nonprofit agencies' commercial or State-use (non-AbilityOne) contracts accrued too many direct labor hours by persons who were not blind or significantly disabled;
- There was a sudden surge or sudden loss of work on Government (AbilityOne) contracts, affecting the nonprofit agency's ability to meet the required direct labor hour ratio;
- The nonprofit agencies' management did not understand the AbilityOne requirements.

This analysis is used to develop educational and compliance review priorities for the next year. The Commission also monitored the percentage of deficiencies corrected either during or after compliance reviews. With the exception of nonprofit agencies that withdrew from the Program, the Commission required all nonprofit agencies that were out of compliance to submit corrective action plans, which were reviewed by the compliance staff to ensure adequacy, then monitored on a quarterly basis. A total of eight nonprofit agencies were required to appear before the Commission during FY 2014 and FY 2015, to explain the circumstances that resulted in their noncompliance, and to explain how they will achieve full compliance. While the majority either completed or were in the process of completing corrective action, one nonprofit agency was removed from the AbilityOne Program for uncorrected noncompliance in FY 2015.

### **Strategic Objective 2.2.2.**

*Completion of 120 on-site compliance reviews per year, resulting in 100% of all nonprofit agencies receiving an on-site review over a five-year cycle.*

The second performance indicator speaks to the Commission's reach and the reliability of the Commission's review findings. The Commission completed 420 compliance reviews from FY 2010 to 2014, reaching 75% of all AbilityOne nonprofit agencies. During FY 2015, another 74 compliance reviews were made by the Commission. While the aggregate is a high proportion of all AbilityOne agencies, and includes reviews of all of the largest ("top ten") nonprofit agencies in the program since the beginning of 2010, it is short of the target for 100% to be reviewed within the last five years or 120 reviews per year. Delays in funding and modest funding reductions allowed fewer on-site compliance reviews to be made in 2014 and 2015. However, during this period, the Commission continued to thoroughly review all participating nonprofit agencies' annual certifications, and utilized virtual review methods to the maximum extent possible.

Focused communication and preventative measures are being implemented to continually minimize or eliminate noncompliance. The Commission staff provided both in-person and virtual trainings during FY 2014 and FY 2015, to increase nonprofit agencies' awareness and understanding of the requirements that must be met to achieve full compliance. Additionally, the staff is developing a self-review system that nonprofit agencies may use to educate themselves, test their levels of compliance and make improvements before their next official Commission compliance review.

In October 2015, the Commission launched a new, more robust form of nonprofit agency certification: Annual Representations and Certifications (“Reps and Certs”). The Annual Reps and Certs increase the Commission’s visibility into additional regulatory and contract compliance areas, and require nonprofit agencies to explain any deviations in writing. The entire Reps and Certs document must be signed by the nonprofit agency’s CEO and Board Chairperson; the False Claims Act is applicable and will be enforced. The Commission conducted training via webinars for several months to ensure nonprofit agencies’ understanding of and proper use of the Reps and Certs forms. Commission compliance staff will make training presentations and focus on the Reps and Certs as a key compliance tool going forward.

### **2.3. Employee and Customer Satisfaction**

In 2010, the Commission made a unanimous policy declaration that the AbilityOne Program is an employment program first and foremost, which accomplishes its mission through the Federal procurement system. Accordingly, the AbilityOne Strategic Plan reflects a core goal to achieve AbilityOne employee satisfaction alongside Federal customer satisfaction. Employee satisfaction demonstrates that the quality of AbilityOne employment is as important to the Commission as the quantity of AbilityOne jobs created and sustained. As many studies have shown that employee satisfaction is a prerequisite to providing outstanding customer service, the two facets of this goal are, in fact, reciprocal and reinforce each other. Enhancing employee satisfaction in turn enhances customer satisfaction, which in turn leads to additional employment opportunities for the AbilityOne Program.

#### **Strategic Objective 2.3.1.**

*Increase and sustain AbilityOne employee satisfaction through a continuous feedback process, followed by actions to integrate the feedback into program improvements.*

The Commission and its Central Nonprofit Agencies (CNAs) began with the baseline employee satisfaction level established in 2010, showing an overall AbilityOne Program employee satisfaction rating of **85%**, compared to the 68% industry benchmark level<sup>2</sup>. The AbilityOne Program’s Quality Work Environment (QWE) initiative (discussed below) was designed and launched in 2010 to enhance the experience and satisfaction of program employees. In 2013, employee satisfaction was again measured, with AbilityOne participants reporting an increased level of overall job satisfaction level, up to **86.5%**, compared to the U.S. National Norm<sup>3</sup> of 70%. The next triennial survey of AbilityOne employees is scheduled to take place in 2016.

---

<sup>2</sup> Source: A random sample of 1,773 AbilityOne employees with significant disabilities and a census survey of 1,262 AbilityOne employees who are blind or visually impaired were asked a combination of satisfaction questions with the results combined and appropriately weighted. The benchmark industry percentage is a weighted average of Towers Watson employee survey results from the cross-section of industry sectors in the U.S., weighted by size and industry using current Census data.

<sup>3</sup> As with the 2010 survey, industry norm data was supplied by Towers Watson, a professional services company that conducts employee research and helps organizations improve performance.

The QWE initiative focuses on four key areas that correlate with AbilityOne employee satisfaction: (1) increasing wages through increased productivity, (2) providing navigation to supports, services and training, (3) articulating a defined career ladder for employees, and defining steps to climb the ladder, and (4) ensuring an integrated, engaging workplace culture. Nonprofit agencies that adopt the QWE initiative first conduct self-assessments using the AbilityOne standardized survey, create and implement action plans, and periodically report progress to their Central Nonprofit Agencies. Several best practices disseminated through the QWE initiative correlate positively with elements of job satisfaction most desired by AbilityOne employees, including employee involvement, training and development, and employee benefits.

In addition to its formal objective to increase the level of employee satisfaction, the Commission established a target for full participation in the QWE initiative across the AbilityOne Program. The target has evolved from a percentage of nonprofit agencies participating in QWE to the percentage of AbilityOne employees participating in QWE. This is a voluntary program, and has reached critical mass with 84% of AbilityOne employees working in nonprofit agencies that have adopted the QWE initiative by the end of FY 2015. The previous target of 100% of employees covered by QWE by the end of calendar year 2015 must be extended. The Program’s nonprofit agencies vary widely in size, from three employees to several hundred, thus the priority enrollment efforts were focused on the largest nonprofits first. Many of the smaller nonprofit agencies must still be engaged. The recent economic downturn caused some nonprofit agencies to experience financial challenges, further delaying their participation in the QWE initiative.

The following table shows the QWE participation scorecard as of June 30, 2015 and shows the percentage increases realized since the end of FY 2014.

|  | AbilityOne<br>Employees<br><b>9/30/2014</b> | AbilityOne<br>Employees<br><b>6/30/2015</b> | Increase in<br>Employees<br>Covered<br>2013 vs. 2012 |
|--|---|---|--|
| Completed Self-Assessment  | 74%   | 84%   | 13.5%  |
| Developed Action Plan  | 68%   | 76%   | 11.8%  |
| Implementing Action Plan   | 65%   | 76%   | 16.9%  |
| Completed 1 <sup>st</sup> Round/ Working 2 <sup>nd</sup><br>or 3 <sup>rd</sup> Round | 29%   | 33%   | 13.8%  |

**Table 2. AbilityOne QWE Participation through June 30, 2015**

The accomplishments during the past year indicate continued focus on the QWE participation target, despite the resources and support necessary to implement the QWE best practices being scarcer in the austere budget environment. The Commission continues to expect full (100%) participation in QWE in the future, and will extend the timeline for achievement. While voluntary adoptions remains the preferred approach and current strategy, the Commission may consider proposing regulatory changes that would require QWE participation in the future for nonprofit agencies to obtain the Federal contracting opportunities and other benefits of AbilityOne Program. The Commission will evaluate the participation levels and results during FY 2016 and determine whether a change in approach is necessary.

### **Strategic Objective 2.3.2.**

*Increase and sustain AbilityOne Federal customer satisfaction through a continuous feedback process, followed by actions to integrate the feedback into program improvements.*

The AbilityOne Program has used a variety of methodologies to gather Federal customer feedback from different segments of the customer audience, including Contracting officers and end-users. A benchmark level of **84%** overall satisfaction with the AbilityOne Program was established through a 2011 survey of Contracting officers. Survey questions included how likely the customers were to recommend an AbilityOne solution to other Federal agencies (84% were Very Likely or Likely), and explored their perceptions of quality, timeliness, communication and pricing.

During 2013, the Commission and its CNAs pilot tested and implemented an end-user survey through the support of the Federal Acquisition Institute (FAI), which has expertise in assisting other Federal agencies with similar kinds of survey outreach. As it can be difficult to reach end-users of AbilityOne products and services directly, the survey also identified surrogates for end-users as individuals who deal directly with end-users, such as building managers, administrative services officers or purchase cardholder who buys supplies for their offices. Overall, end-users of AbilityOne products and services gave the program the highest ratings (80% satisfaction or better) in the areas of quality, timeliness and responsiveness. The end-users were less likely to identify AbilityOne pricing as an area of high satisfaction.

In early FY 2015, a survey of non-Defense Federal Customer Satisfaction and Loyalty was implemented to identify strengths and opportunities for improvement among customers who are the primary points of contact for active AbilityOne contracts. The overall response rate was just below 20% and the margin of error +/- 7.1%, requiring conservative use of the data. However, statistically valid findings included an overall **88%** satisfaction level with the AbilityOne Program among this segment of customers, up from the previously measured level of 84% in 2011. Other statistically valid findings underscored the Program's need to focus on more competitive pricing and proposals, while quality and timeliness were found to be equal to or better than non-AbilityOne contractors. The results correlated closely with the feedback gathered in an AbilityOne products/services end-user survey conducted in 2013.

The Department of Defense (DOD) has implemented policies that limit their acquisition personnel's participation in surveys without special authorization. If unable to gather quantitative data from DOD customers, the Commission will have to use past performance reports to glean customer satisfaction input. The Commission is also implementing GAO recommendations related to pricing, specifically to enhance transparency in the establishment of Procurement List prices through the dissemination of procedures, manuals and training. After full implementation, we will evaluate the effect of these recommendations on customers' understanding of and perception of AbilityOne pricing.

## 2.4. Employment Growth

Creating and sustaining employment opportunities for people who are blind or who have significant disabilities is the reason for the AbilityOne Program's existence. The Commission monitors employment in terms of jobs created/sustained, and the number of direct labor hours worked by AbilityOne employees. As AbilityOne employment is generated through the delivery of products and services to the Government, growth strategies revolve around increasing Federal agencies' procurement of these items. The Commission works to ensure that Federal agencies are aware of and comply with the AbilityOne mandatory source requirements, and that they do not purchase alternative products or services which diminish AbilityOne job opportunities.

### Strategic Objective 2.4.1.

*Increase employment opportunities and quantity of work by AbilityOne Program employees by 2% per year for products and 7% per year for services.*

This objective and the associated targets, to achieve two percent (2%) year-over-year employment growth related to AbilityOne products, and to achieve seven percent (7%) year-over-year employment growth related to AbilityOne services, were based on AbilityOne employment growth trends during the period prior to the establishment of the FY 2010-FY 2014 Strategic Plan. However, significant changes in the business environment have made pursuit of the employment growth goal extremely challenging; particularly the budget austerity and military drawdown in the past two years. The Commission will revisit these targets to determine whether they should be adjusted downward.

In FY 2014, the most recent year for which employment data is compiled, there was a net loss of jobs by AbilityOne nonprofit agencies. The number of direct labor hours worked also decreased about 2% from the previous year. One positive note in FY 2014 was the increase in promotions for the AbilityOne workforce. The greater losses experienced by the nonprofit agencies in their non-AbilityOne work is indicative of the difficult economic environment overall.

|            | FY 2014 AbilityOne Result | % Change | Non-AbilityOne Change |
|------------|---------------------------|----------|-----------------------|
| Hours      | 44,855,247                | -2.17%   | -5.69%                |
| People     | 46,621                    | -2.26%   | -7.93%                |
| Promotions | 1,181                     | 16.93%   | -4.32%                |
| Placements | 1,936                     | -12.71%  | -12.77%               |
| Wages      | \$558,031,858             | 0.70%    | -2.33%                |
| Sales      | \$2,881,532,877           | 1.73%    | -0.14%                |

**Table 3. AbilityOne Program Employment Data through September 30, 2014**

Quarterly as well as anecdotal reports lead us to estimate a leveling of employment numbers at the end of FY 2015 when the annual data is reconciled. However, manufacturing opportunities for military unique clothing and equipment continued to decline. This work grew quickly during the build-up and surge of military activity, but has plummeted in the past three years. The Commission’s analysis of historical data shows that these results, though disappointing, are both typical and predictable: AbilityOne product sales have increased and contracted in a similar manner after each war or military conflict since 1942. In recent years, the increase in AbilityOne service jobs has partially masked the job loss associated with products, and indicates that a diversified business base is necessary to mitigate the potentially dramatic shifts in demand for AbilityOne products.

Across the Program, employment has been reduced where budget shortfalls have caused Contracting Officers to de-scope their requirements and renegotiate prices. However, there were some bright spots in terms of new service contracts starting up during FY 2015. More than 50 new jobs for people with significant disabilities were created through the addition to the AbilityOne Procurement List of requirements such as Third Party Logistics Service, Department of State; Facilities Maintenance Service, U.S. Coast Guard Curtis Bay; and location-specific Custodial Services for the Department of the Navy.

One leading indicator is the estimated employment created by Procurement List additions during the Fiscal Year. In FY 2015, the equivalent of 430 full-time equivalents’ worth of direct labor hours were created, which may provide employment for up to 800 individuals, given that AbilityOne employees often work less than full time. However, the trend is downward, reflecting the reduction in overall contracting opportunities and dollars available. The table below shows that the past three years have been below average for new opportunities coming to the AbilityOne Program, underscoring the need for more customer outreach and expansion into new lines of business.

|              | <b>FY 2011<br/>Results</b> | <b>FY 2012<br/>Results</b> | <b>FY 2013<br/>Results</b> | <b>FY 2014<br/>Results</b> | <b>FY 2015<br/>Results</b> | <b>5-Year<br/>Average</b> |
|--------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|---------------------------|
| PL Additions | 151                        | 140                        | 156                        | 115                        | 86                         | 136                       |
| New FTEs     | 1359                       | 1205                       | 970                        | 485                        | 430                        | 1052                      |

**Table 4. Fiscal Year 2011-2015 Procurement List Additions**

The AbilityOne Program continued to emphasize employment opportunities for wounded warriors and other veterans with disabilities in FY 2015, particularly in emerging lines of business such as software testing, facilities management and contract closeout work. The employment of more than 3,000 veterans and wounded warriors across the AbilityOne Program is a point of both pride and continued commitment for the Commission. We continue to study methods to further recruit, train and employ the veteran population, particularly the Gulf War II era veterans who have the highest levels of unemployment among all veterans.



### **Strategic Objective 2.4.2.**

*Effective advocacy will increase Federal agencies' utilization of the AbilityOne Program.*

This objective pertains to education and outreach, particularly by members of the Commission, to inform Federal employees about the benefits of the AbilityOne Program and to increase AbilityOne utilization. Advocacy, in this context, means working to ensure that Federal agencies comply with the AbilityOne mandatory source requirements and do not purchase substitute items which detract from AbilityOne employment. At the same time, advocacy includes establishing strategic alliances with other Federal agencies and commercial business partners, to expand awareness of the AbilityOne mission and our workforce's capability.

The U.S. AbilityOne Commission is comprised of 11 public members (Federal employees) and four private citizens appointed by the President. The public members are senior leaders within their own Federal agencies, listed in Section 1.5, in areas such as procurement, finance, logistics, or vocational rehabilitation. As such, they are in prominent positions to communicate within their agencies about the benefits of the AbilityOne Program and to encourage its support. The private citizens are subject matter experts conversant with the employment concerns of people who are blind or significantly disabled and work within the broader disability community.

Federal agencies' utilization of the AbilityOne Program is also increased when their leaders, whether or not they are members of the Commission, demonstrate support for AbilityOne by signing and issuing memoranda of support, by encouraging their staff to identify new AbilityOne opportunities and by ensuring that their agencies' acquisition personnel comply with the mandatory source requirements of the Procurement List. Memoranda issued in FY 2015 from well-respected leaders such the Director of Defense Procurement and Acquisition Policy were widely disseminated and often re-issued at the next level by leaders across the department.

A performance indicator for program advocacy is sustainment of AbilityOne sales and market share through the Federal Strategic Sourcing Initiative (FSSI) Office Products programs, as this is a core AbilityOne product line. The Commission tracks the percentage of AbilityOne sales among the FSSI vendors' total office product sales as an indicator of customers' and distributors' compliance with the mandatory source purchasing requirements. While the vendors participating in the FSSI program may change with the various competitive cycles, the FY 2015 data shows that AbilityOne products comprised nearly 20% of sales by the FSSI office supplies vendors. This is comparable to AbilityOne sales through the former GSA depot system and is slightly below the AbilityOne sales percentage through program-operated Base Supply Centers.

## **2.5. Business Excellence**

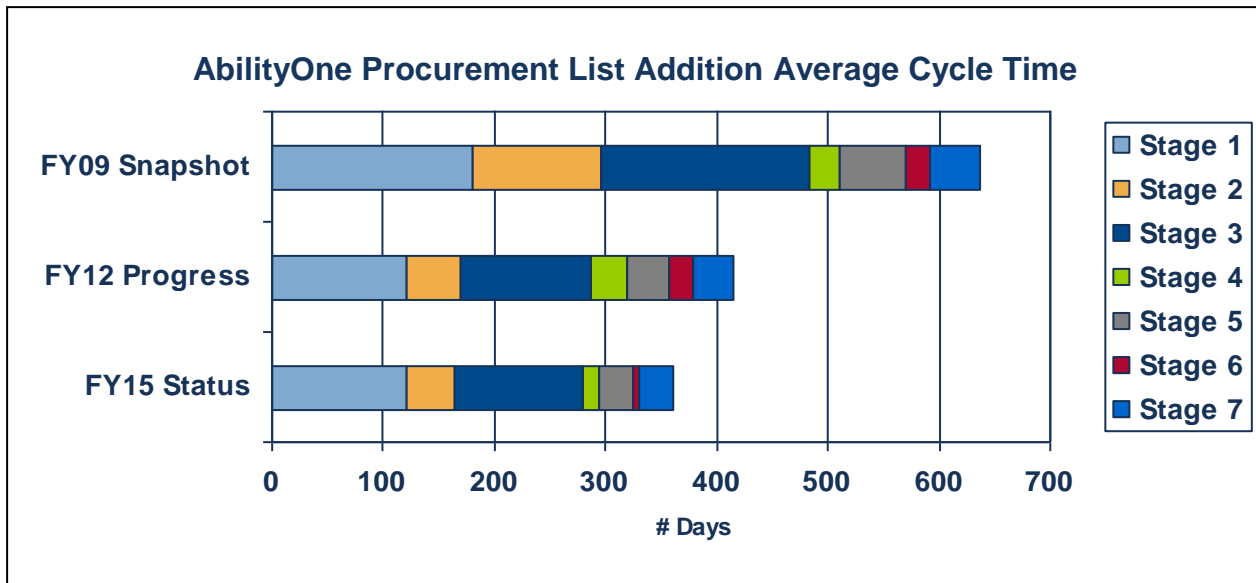
The Commission executes mission-critical business processes with its Central Nonprofit Agencies, participating nonprofit agencies and Federal customers. Its goal is to improve the efficiency and efficacy of these three critical business processes: (1) the Procurement List addition process, which as discussed above generates employment, (2) fair market pricing policy and procedures, and (3) the Central Nonprofit Agency (CNA) Fee determination and implementation process.

### Strategic Objective 2.5.1.

*Improve the Procurement List end-to-end process.*

The first objective for the Procurement List (PL) addition process was to decrease cycle time by 50%. The baseline or initial snapshot of likely PL addition cycle time in 2009 was in excess of 600 days. In today’s dynamic acquisition environment, this cycle time is much too long for the Commission to successfully grow the AbilityOne Program. CNA and Federal customer feedback consistently reveals that some AbilityOne project opportunities are lost due to the length of time it takes to go through the PL addition process.

Through a Lean Six Sigma process mapping, diagnosis and subsequent implementation of four Lean solutions, PL addition cycle time was reduced by more than 25% when re-measured for FY 2012 transactions. Since FY 2013, additional process efficiencies have been identified and expanded for smaller, non-controversial PL additions that further **reduced cycle time by 14-21 days**. The Commission was able to use these efficiencies and shortened cycle time for about two-thirds of the PL additions it considered, and also deployed the efficiencies when processing PL deletions. In order to further streamline the process, delays and wait time must be reduced in the pricing/costing development and negotiation phase, which is discussed in Strategic Objective 2.5.2 below.



**Figure 2. Procurement List Cycle Time FY 2009 – FY 2015**

### Strategic Objective 2.5.2.

*Improve the Fair Market Price (FMP) end-to-end process.*

By statute, the Commission is responsible for establishing the fair market price (FMP) for products and services on the PL. The second objective under this strategic goal is twofold – both to “Lean” the pricing process in terms of shortening cycle time, and to improve the transparency and competitiveness of AbilityOne pricing.

Cycle time reduction dovetails with the previous objective and benefits from the PL process mapping that has already been completed. In FY 2015, a pricing working group studied the process delays, identified areas that require more guidance or clarity, and recommended solutions to reduce rework and overall cycle time. These efforts are expected to decrease overall pricing cycle time when fully implemented. Standard Operating Procedures have been issued and the Commission's entire set of pricing policies and procedures have been updated for posting on [www.AbilityOne.gov](http://www.AbilityOne.gov). These actions create greater transparency and will lead to enhanced understanding of AbilityOne pricing methods by program participants. The Commission expects to see shorter processing time and increased overall satisfaction in the pricing area, and will seek ways to measure such changes in FY 2016. These process improvements are consistent with the recommendations made by the Government Accountability Office (GAO) in its report GAO-13-457, which the Commission continues to implement.

**Strategic Objective 2.5.3.**

*Align Central Nonprofit Agency (CNA) Fee to core strategic goals of the AbilityOne Program.*

This objective pertains to the Commission's oversight and evaluation of its central nonprofit agencies' (CNA) use of resources. The CNAs are not funded by appropriation, but rather, they receive a small percentage of AbilityOne contract dollars, up to the ceiling approved by the Commission.

In FY 2015, the Commission reviewed the CNAs' annual business plans to evaluate the resources needed to perform their regulatory duties and the revenue projected to be collected during the next fiscal year. These resources are used to provide technical and financial support to AbilityOne-participating nonprofit agencies and to execute the CNAs' duties in accordance with 41 CFR 51-3.2 as well as their responsibilities in the implementation of the AbilityOne strategic goals. The Commission considered the results from FY 2014 and the CNAs' plans to achieve results in FY 2016, and determined that the current CNA fee ceilings (3.9% for National Industries for the Blind and 3.85% for SourceAmerica) will remain in effect for the next year.

The Commission continued its practice of dashboard reviews during the fiscal year to ensure that CNA resource utilization remains consistent with the Commission's understanding and communicated priorities at the time the fee ceiling was approved. The dashboard reviews allow the Commission, through its Business Excellence Subcommittee, to monitor CNA performance of their regulatory duties and other actions to achieve the AbilityOne strategic goals. The Commission plans to undertake a more comprehensive review of the CNA business plans and resource requirements during FY 2016.

## **Section 3: Other Information**

### **3.1. Major Management Priorities and Challenges**

Three particular management priorities and challenges during FY 2015 were:

- Minimizing the impact of budget austerity on AbilityOne employment;
- Strengthening the Procurement List decision-making process; and
- Implementing the recommendations made in GAO Report 13-457.

Beginning in early FY 2013, and to a greater degree after sequestration was triggered, the Central Nonprofit Agencies reported layoffs across the AbilityOne nonprofit agencies, due to lack of orders for products or reductions in the scope of work for many service projects. By the end of FY 2015, the program has still not recovered all of the jobs that were lost. Some nonprofit agencies avoided lay-offs but had to reduce direct labor hours. The decrease in AbilityOne Program sales is attributed to the military drawdown of the past few years as well as general budget austerity. During FY 2015, the Commission met with key customers to discuss their funding shortfalls and how to maximize what is provided at lower prices.

The Commission continued to focus on strengthening the Procurement List decision-making process in FY 2015. Accuracy, thoroughness and commitment to documentation of the facts were key areas of focus, to enable the Commission to successfully defend its decisions if challenged. Further process improvements were developed, such as project-level Representations and Certifications, which will be required for proposed Procurement List additions no later than FY 2017. These “Reps and Certs” will provide additional facts, certified data and other important information to inform and fully document the rationale for the Commission’s business decisions.

In accordance with GAO recommendations, the Commission is strengthening its oversight by implementing written agreements with the Central Nonprofit Agencies (CNAs). Developing a comprehensive requirement with performance standards has been a lengthy undertaking, and the timeframe for completion is now mid-FY 2016. The written agreements will better specify the Commission’s expectations for the CNAs and will provide a formal process for performance evaluation. The resulting agreements will promote greater accountability for program effectiveness, efficiency and integrity.

### **3.2 Cross Agency Collaborations**

In many ways, however, the Commission and the AbilityOne Program are cross-agency collaborations, as appointees from 11 different Federal agencies come together to determine how to increase employment for people who are blind or significantly disabled through the delivery of products and services to the Government. The Commission includes Presidential appointees from the Rehabilitation Services Administration of the Department of Education, and from the Office of Disability Employment Policy at the Department of Labor, which have broader yet complementary missions to the specific employment mission of the AbilityOne Program.

These collaborations often result in concrete outcomes, such as the Memorandum of Agreement signed between the Rehabilitation Services Administration and the Commission in FY 2015. The two agencies agreed to support each other's respective and related mission objectives through expanded communication, partnering and seeking mentoring opportunities.

As an independent agency, the Commission has also engaged in cross agency collaborative efforts that support the AbilityOne mission, such as participating in the Chief Information Officers Council's Accessibility Committee.

Finally, the Commission continues the cross-agency collaboration it has with the Defense Acquisition University (DAU). The Commission and DAU have a Memorandum of Agreement that provides Commission staff and AbilityOne employees who are blind or significantly disabled access to DAU contracting courses. As a result, over 200 individuals who are blind or significantly disabled have received training that enables their employment in performing contract closeout services. DAU has worked closely with National Industries for the Blind to ensure full accessibility of the course materials for students who are blind or visually impaired.

### **3.3 Evaluation and Research**

The AbilityOne Program strategic goals and objectives were developed with stakeholder input and transparency, to ensure they were well informed, well communicated, specific, measurable and time-bounded. The latter three are particularly important to facilitate evaluation. The Commission relies on the annual program data it collects, and original research (mainly satisfaction surveys of customers and employees) to evaluate the AbilityOne Program's progress and efficacy in achieving these objectives and goals. The Commission's public meetings are often devoted to review and discussion of program data, analysis of such data, and strategies to enhance performance.

OMB Memorandum M-15-11 provides guidance regarding the credible use of evidence in decision-making. At the Program level, the Commission has long used evidence such as annual program data and independent reviews to evaluate performance and to determine the need for adjustments in priorities, policies and procedures.

The Commission reviews both annual and quarterly data such as changes in the number of program employees, direct labor hours they work, wages they are paid, outplacements that are made to competitive employment, and adoption of best practices in the work environment. This information enables the Commission to gain a better understanding of the nonprofit agencies that participate in the program and the AbilityOne employees themselves. The average hours worked per AbilityOne employee and the number of employees per nonprofit agency are two examples of evidence that has informed the Commission's decisions or policy positions.

In 2014, the Commission received data collection authority to require annual reporting of veterans' employment through the AbilityOne Program. This data has already been useful in showing the number of veterans employed, both for direct and indirect labor positions on AbilityOne contracts, which is both relevant to the AbilityOne mission and important to

maintaining the support of our Department of Defense customers. More than 3,200 veterans who are blind or have significant disabilities were working in FY 2014 (the most recent period available) as a result of AbilityOne Program job opportunities.

In FY 2015, the Commission received data collection authority to require nonprofit agencies to complete and submit a much more thorough Annual Representations and Certifications form with several new data fields to capture small business subcontracting data, more detailed veterans employment data and compliance with Federal contracting requirements.

### **3.4 Data Validation and Verification**

Most of the key program data used for analysis and reporting is collected from each participating nonprofit agency in the AbilityOne Program. The source data are well defined and documented in the Commission's compliance procedures and handbooks disseminated by the CNAs. The Commission and the CNAs utilize on-site audits, to the extent practical, and technical support visits to educate nonprofit agencies and verify that their collection techniques are valid and accurate.

The annual program data must be verified and certified by the head of the nonprofit agency and an officer of its Board of Directors. In addition, the data is initially provided to the appropriate CNA for their review. The data will not be accepted if it is not complete or contains any discrepancies. The data is generated and transmitted electronically to reduce the potential for errors in data entry. A senior officer from either CNA must sign off on the data, certifying it to be accurate to the best of his or her knowledge. Finally, the Commission staff conducts data analysis looking for potential issues and requests verification of those found. A thorough reconciliation process is executed each year to ensure data accuracy.

### **3.5 Lower Priority Program Activities**

The President's Budget identifies the lower-priority program activities, where applicable, as required under the GPRM Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at: <http://www.whitehouse.gov/omb/budget>. Neither the Commission nor the AbilityOne Program are listed among the lower-priority program activities.

#### **Section 4: Financial Information and Audit Report**

The U.S. AbilityOne Commission's FY 2015 Financial Audit accompanies and supplements this Performance and Accountability Report, and is attached in its entirety as a PDF file.



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

**GENERAL FUND**

**FINANCIAL STATEMENTS**

**As Of And For The Years Ended September 30, 2015 and 2014**



## **Independent Auditor's Report**

Committee Members and Executive Director

Committee for Purchase from People Who Are Blind or Severely Disabled

### **Report on the Financial Statements**

We have audited the accompanying balance sheets of the Committee for Purchase from People Who Are Blind or Severely Disabled (the Committee) as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended. In our audit of the Committee for the fiscal year ended September 30, 2015, we found:

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

The following sections discuss in more detail our opinion, our consideration of internal control over financial reporting, our tests of compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

### **Opinion on Financial Statements**

In our opinion, the financial statements, including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of the Committee as of September 30, 2015 and 2014, and its net costs; changes in net position; and budgetary resources for the years then ended.

### **Consideration of Internal Control**

In planning and performing our audit, we considered the Committee's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting, or on management's assertion on internal control included in the MD&A.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. A material weakness is a significant deficiency, or combination of

significant deficiencies, that results in a more than remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

Our consideration of internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the Committee's internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to the Committee's management.

### **Compliance With Laws and Regulations**

As part of obtaining reasonable assurance about whether the Committee's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2015. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Consistency of Other Information**

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### **Responsibilities**

**Management's Responsibilities.** Management is responsible for preparing the financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, contracts, and grant agreements applicable to the Committee.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Rocha & Company, PC*

Rocha & Company, PC  
*Gaithersburg, Maryland*

*November 13, 2015*

**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY  
DISABLED  
BALANCE SHEET**

As Of September 30, 2015 and 2014

|   |           | 2015          | 2014          |
|---|-----------|---------------|---------------|
| <b>Assets:</b>  |           |               |               |
| <b>Intragovernmental:</b>   |           |               |               |
| Fund Balance With Treasury  | (Note 2)  | \$ 691,854.63 | \$ 766,936.97 |
| <b>Total Intragovernmental</b>                                    |           | 691,854.63    | 766,936.97    |
| <b>Assets With The Public:</b>                                    |           |               |               |
| Accounts Receivable, net  | (Note 3)  | 9,358.35      | 18,018.12     |
| General Property, Plant and Equipment, Net                        | (Note 4)  | 48,465.75     |               |
| <b>Total Assets</b>   |           | \$ 749,678.73 | \$ 784,955.09 |
| <b>Liabilities:</b>   |           |               |               |
| <b>Intragovernmental:</b>   |           |               |               |
| Accounts Payable  | (Note 5)  |               | 82,927.18     |
| <b>Other:</b>   |           |               |               |
| Employer Contributions and Payroll Taxes Payable                  | (Note 6)  | 19,997.21     | 17,460.03     |
| <b>Total Intragovernmental</b>                                    |           | 19,997.21     | 100,387.21    |
| <b>Liabilities With the Public:</b>                               |           |               |               |
| Accounts Payable  | (Note 5)  | 39,888.46     | 69,060.40     |
| <b>Other:</b>   |           |               |               |
| Accrued Funded Payroll and Leave                                  | (Note 6)  | 89,706.08     | 78,806.00     |
| Employer Contributions and Payroll Taxes Payable                  |           | 2,747.68      | 2,549.19      |
| Unfunded Leave  | (Note 10) | 246,318.38    | 239,444.42    |
| <b>Total Liabilities</b>  |           | \$ 398,657.81 | \$ 490,247.22 |
| <b>Net Position:</b>  |           |               |               |
| Unexpended Appropriations - All Other Funds (Consolidated Totals) |           | 539,515.20    | 516,134.17    |
| Cumulative Results of Operations - All Other Funds                |           | (188,494.28)  | (221,426.30)  |
| <b>Total Net Position - All Other Funds (Consolidated)</b>        |           | 351,020.92    | 294,707.87    |
| <b>Total Net Position</b>   |           | \$ 351,020.92 | \$ 294,707.87 |
| <b>Total Liabilities and Net Position</b>                         |           | \$ 749,678.73 | \$ 784,955.09 |

The accompanying notes are an integral part of these statements.

**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY  
DISABLED  
STATEMENT OF NET COST**

As Of And For The Years Ended September 30, 2015 and 2014

|                               |           | 2015            | 2014            |
|-------------------------------|-----------|-----------------|-----------------|
| <b>Program Costs:</b>         |           |                 |                 |
| <b>ABILITY ONE:</b>           |           |                 |                 |
| <b>Gross Costs</b>            |           | \$ 5,515,700.17 | \$ 5,397,334.92 |
| <b>Net Program Costs</b>      | (Note 7)  | 5,515,700.17    | 5,397,334.92    |
| <b>Net Cost of Operations</b> | (Note 11) | \$ 5,515,700.17 | \$ 5,397,334.92 |

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF CHANGES IN NET POSITION  
As Of And For The Years Ended September 30, 2015 and 2014**

FY 2015 (CY)

Consolidated Total

**Cumulative Results of Operations:**

Beginning Balances \$ (221,426.30)

**Budgetary Financing Sources:**

Appropriations used 5,286,826.78

**Other Financing Sources (Non-Exchange):**

Imputed financing 261,805.41

Total Financing Sources 5,548,632.19

Net Cost of Operations 5,515,700.17

Net Change 32,932.02

**Cumulative Results of Operations** \$ (188,494.28)

**Unexpended Appropriations:**

Beginning Balance 516,134.17

**Budgetary Financing Sources:**

Appropriations received 5,362,000.00

Other adjustments (51,792.19)

Appropriations used (5,286,826.78)

Total Budgetary Financing Sources 23,381.03

Total Unexpended Appropriations 539,515.20

Net Position \$ 351,020.92

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF CHANGES IN NET POSITION  
As Of And For The Years Ended September 30, 2015 and 2014**

|  | FY 2014 (PY)                  |
|--|-------------------------------|
|  | <u>Consolidated Total</u>     |
| <b>Cumulative Results of Operations:</b>       |                               |
| Beginning Balances                             | \$ (225,235.00)               |
| Adjustments:                                   |                               |
| Changes in accounting principles               | -                             |
| Corrections of errors                          | -                             |
| Beginning balance, as adjusted                 | <u>(225,235.00)</u>           |
| <b>Budgetary Financing Sources:</b>            |                               |
| Appropriations used                            | 5,113,125.27                  |
| <b>Other Financing Sources (Non-Exchange):</b> |                               |
| Imputed financing                              | 288,018.35                    |
| Total Financing Sources                        | 5,401,143.62                  |
| Net Cost of Operations                         | <u>5,397,334.92</u>           |
| Net Change                                     | 3,808.70                      |
| <b>Cumulative Results of Operations</b>        | <u><u>\$ (221,426.30)</u></u> |
| <b>Unexpended Appropriations:</b>              |                               |
| Beginning Balance                              | 384,533.95                    |
| <b>Budgetary Financing Sources:</b>            |                               |
| Appropriations received                        | 5,257,000.00                  |
| Other adjustments                              | (12,274.51)                   |
| Appropriations used                            | <u>(5,113,125.27)</u>         |
| Total Budgetary Financing Sources              | <u>131,600.22</u>             |
| Total Unexpended Appropriations                | <u>516,134.17</u>             |
| Net Position                                   | <u><u>\$ 294,707.87</u></u>   |

The accompanying notes are an integral part of these statements.

**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED**  
**STATEMENT OF BUDGETARY RESOURCES**

As Of And For The Years Ended September 30, 2015 and 2014

|  | <u>2015</u><br><u>Budgetary</u> | <u>2014</u><br><u>Budgetary</u> |
|--|---------------------------------|---------------------------------|
| <b>BUDGETARY RESOURCES</b>   |                                 |                                 |
| Unobligated balance brought forward, October 1                     | \$ 128,880.94                   | \$ 94,868.03                    |
| Recoveries of prior year unpaid obligations (unobligated balances) | 2,009.66                        | 91,355.35                       |
| Other changes in unobligated balance                               | <u>(51,792.19)</u>              | <u>(12,274.51)</u>              |
| Unobligated balance from prior year budget authority, net          | 79,098.41                       | 173,948.87                      |
| Appropriations (discretionary and mandatory)                       | 5,362,000.00                    | 5,257,000.00                    |
| Spending authority from offsetting collections                     | 113.33                          | 248.80                          |
| <b>Total budgetary resources</b>                                   | <u><u>\$ 5,441,211.74</u></u>   | <u><u>\$ 5,431,197.67</u></u>   |
| <br><b>STATUS OF BUDGETARY RESOURCES</b>                           |                                 |                                 |
| Obligations incurred   | (Note 8) \$ 5,337,109.58        | \$ 5,302,316.73                 |
| Apportioned  | 45,651.67                       | 49,537.68                       |
| Unapportioned  | <u>58,450.49</u>                | <u>79,343.26</u>                |
| Unobligated balance brought forward, end of year                   | 104,102.16                      | 128,880.94                      |
| <b>Total budgetary resources</b>                                   | <u><u>\$ 5,441,211.74</u></u>   | <u><u>\$ 5,431,197.67</u></u>   |
| <br><b>CHANGE IN OBLIGATED BALANCE</b>                             |                                 |                                 |
| Unpaid obligations, brought forward, October 1 (gross)             | \$ 638,056.03                   | \$ 444,815.34                   |
| Obligations incurred   | 5,337,109.58                    | 5,302,316.73                    |
| Outlays (gross) (-)  | (5,385,403.48)                  | (5,017,720.69)                  |
| Recoveries of prior year unpaid obligations (-)                    | <u>(2,009.66)</u>               | <u>(91,302.35)</u>              |
| Unpaid obligations, end of year                                    | (Note 9) 587,752.47             | 638,056.03                      |
| Obligated balance, start of year (net)                             | 638,056.03                      | 444,815.34                      |
| Obligated balance, end of year (net)                               | <u><u>\$ 587,752.47</u></u>     | <u><u>\$ 638,056.03</u></u>     |
| <br><b>BUDGET AUTHORITY AND OUTLAYS, NET</b>                       |                                 |                                 |
| Budget authority, gross (discretionary and mandatory)              | \$ 5,362,113.33                 | \$ 5,257,248.80                 |
| Actual offsetting collections (discretionary and mandatory) (-)    | <u>(113.33)</u>                 | <u>(248.80)</u>                 |
| Budget authority, net (discretionary and mandatory)                | 5,362,000.00                    | 5,257,000.00                    |
| Outlays, gross (discretionary and mandatory)                       | 5,385,403.48                    | 5,017,720.69                    |
| Actual offsetting collections (discretionary and mandatory) (-)    | <u>(113.33)</u>                 | <u>(248.80)</u>                 |
| Outlays, net (discretionary and mandatory)                         | 5,385,290.15                    | 5,017,471.89                    |
| Agency outlays, net (discretionary and mandatory)                  | <u><u>\$ 5,385,290.15</u></u>   | <u><u>\$ 5,017,471.89</u></u>   |

The accompanying notes are an integral part of these statements.



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

**GENERAL FUND**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Committee for Purchase from People who are Blind or Severely Disabled is the independent Federal agency that administers the Javits-Wagner-O’Day (JWOD) Program. The committee’s mission is to create employment opportunities for people who are blind or have other severe disabilities by educating Federal customers about their requirement to purchase products and services made available by nonprofit agencies across the country employing such individuals.

**Basis of Presentation**

These financial statements have been prepared from the accounting records of the Committee 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, and Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2015, amounts of future economic benefits owned or managed by the Committee (assets), amounts owed by the Committee (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports 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 Committee and other reporting entities. The Statement of Budgetary Resources reports an agency’s budgetary activity.

**Basis of Accounting**

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. 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. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial

statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Revenues and Other Financing Sources**

The Committee is an appropriated fund. It receives appropriations. Other financing sources for the Committee consist of imputed financing sources which are costs financed by other Federal entities on behalf of the Committee, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government.

**NOTE 2 – FUND BALANCE WITH TREASURY**

All of the Committee’s fund balance with treasury is coming from appropriations. No trust, revolving or other fund type is used to fund the Committee’s activities. The Committee operates as an annual fund, where each year is a new appropriation. This fund balance with treasury is a consolidated balance of five annual funds (FY 2011, FY 2012, FY 2013, FY 2014 and FY 2015). The annual fund for FY 2010 is cancelled and the remaining fund balance of \$51,792.19 is given back to US Treasury during fiscal year 2014.

|   |                            |                            |
|---|----------------------------|----------------------------|
| A. Fund Balance with Treasury           | <u>2015</u>                | <u>2014</u>                |
| Appropriated Fund                       | \$691,854.63               | \$766,936.97               |
| B. Status of Fund Balance with Treasury |                            |                            |
| 1) Unobligated Balance                  |                            |                            |
| a) Available                            | 45,651.67                  | 49,537.68                  |
| b) Unavailable                          | 58,450.49                  | 79,343.26                  |
| 2) Obligated Balance not yet Disbursed  | <u>587,752.47</u>          | <u>638,056.03</u>          |
| Total                                   | <u><u>\$691,854.63</u></u> | <u><u>\$766,936.97</u></u> |

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees.

|                                       |             |             |
|---------------------------------------|-------------|-------------|
|                                       | <u>2015</u> | <u>2014</u> |
| Accounts Receivable - With the Public | \$9,358.35  | \$18,018.12 |

**NOTE 4 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET**

As of September 30, 2015, the Committee showed Leasehold Improvements with a total cost of \$258,074.37 and a net book value of \$0. The Accumulated Depreciation to date showed a balance of \$258,074.37. The depreciation calculation method used was Straight Line with a useful life matching the remaining time on the lease contract. The Committee also showed Equipment – Administrative with a total cost of \$113,301.71 and a net book value of \$48,465.75. The Accumulated Depreciation to date was \$64,835.96. The depreciation calculation method used was Straight Line with a useful life of 5 years. A \$5,000 threshold was used to determine whether items are capitalized.

| <u>2015</u>    | <u>Equipment</u>     | <u>Leasehold</u>    | <u>Total</u>          |
|----------------|----------------------|---------------------|-----------------------|
| Cost           | \$113,301.71         | 258,074.37          | \$371,376.08          |
| Accum. Depr.   | <u>(\$64,835.96)</u> | <u>(258,074.37)</u> | <u>(\$322,910.33)</u> |
| Net Book Value | <u>\$48,465.75</u>   | <u>\$0.00</u>       | <u>\$48,465.75</u>    |

| <u>2014</u>    | <u>Equipment</u>     | <u>Leasehold</u>    | <u>Total</u>          |
|----------------|----------------------|---------------------|-----------------------|
| Cost           | \$58,067.53          | 258,074.37          | \$316,141.90          |
| Accum. Depr.   | <u>(\$58,067.53)</u> | <u>(258,074.37)</u> | <u>(\$316,141.90)</u> |
| Net Book Value | <u>\$0.00</u>        | <u>\$0.00</u>       | <u>\$0.00</u>         |

**NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities of the Committee are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2014, the Committee showed liabilities covered by budgetary resources of \$152,339.43 and liabilities not covered by budgetary resources of \$246,318.38.

Liabilities covered by budgetary resources was composed of Accounts Payable \$6,469.74, Disbursements in Transit \$33,418.72, Accrued Funded Payroll and Leave \$89,706.08, and Employer Contributions and Payroll Taxes Payable \$22,744.89.

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| With the Public                                      |                     |                     |
| Other (Unfunded leave liability)                     | 246,318.38          | 239,444.42          |
| Total liabilities not covered by budgetary resources | <u>246,318.38</u>   | <u>239,444.42</u>   |
| Total liabilities covered by budgetary resources     | 152,339.43          | 250,803.10          |
| Total Liabilities                                    | <u>\$398,657.51</u> | <u>\$490,247.22</u> |

**NOTE 6 – OTHER LIABILITIES**

Other liabilities with the public consist of Accrued Funded Payroll and Leave of \$89,706.08, Unfunded Leave of \$246,318.38, and employer contributions and payroll taxes payable – TSP of \$2,747.68. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$19,997.21

|      | <u>With the Public</u>   | <u>Non-Current</u> | <u>Current</u> | <u>Total</u> |
|------|--------------------------|--------------------|----------------|--------------|
| 2015 | Other Liabilities        | \$246,318.38       | \$92,453.76    | \$338,772.14 |
| 2014 | Other Liabilities        | \$239,444.42       | \$81,355.19    | \$320,799.61 |
|      | <u>Intragovernmental</u> | <u>Non-Current</u> | <u>Current</u> | <u>Total</u> |
| 2015 | Other Liabilities        | \$0.00             | \$19,997.21    | \$19,997.21  |
| 2014 | Other Liabilities        | \$0.00             | \$17,460.03    | \$17,460.03  |

**NOTE 7 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

Intragovernmental costs are those of goods/services purchased from a federal entity.

|                         | <u>Total</u><br><u>2015</u> | <u>Total</u><br><u>2014</u> |
|-------------------------|-----------------------------|-----------------------------|
| Program A               |                             |                             |
| Intragovernmental costs | 1,751,728.31                | 1,705,609.65                |
| Public costs            | <u>3,763,971.86</u>         | <u>3,691,725.27</u>         |
| Total Program A costs   | <u>5,515,700.17</u>         | <u>5,397,334.92</u>         |
| Total Program A         | <u><u>5,515,700.17</u></u>  | <u><u>5,397,334.92</u></u>  |

**NOTE 8 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

All obligations for the Committee in fiscal year 2015 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132. All obligations for the Committee in fiscal year 2014 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the fiscal year 2014 SF 132.

|            | <u>2015</u>    | <u>2014</u>    |
|------------|----------------|----------------|
| Direct     |                |                |
| Category B | \$5,337,109.58 | \$5,302,316.73 |

**NOTE 9 – UNDELIVERED ORDERS AT THE END OF THE PERIOD**

\$435,413.04 was the amount of the Committee’s budgetary resources obligated for undelivered orders as of September 30, 2015.

|      | Undelivered<br>Orders | Accounts<br>Payable | Unpaid Obligated Balance<br>Net |
|------|-----------------------|---------------------|---------------------------------|
| 2015 | 435,413.04            | 152,339.43          | \$587,752.47                    |
| 2014 | 387,253.23            | 250,803.10          | \$638,056.33                    |

**NOTE 10 – 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**

The Change in Components Requiring or Generating Resources in Future Periods equals the difference between the opening and ending balances of Liabilities Not Covered by Budgetary Resources (as shown on the Balance Sheet, reference Note 5).

**FY 2015**

|                       | FY 2014      | FY 2015      | Change       |
|-----------------------|--------------|--------------|--------------|
| Unfunded Annual Leave | \$239,444.42 | \$246,318.38 | (\$6,873.96) |

**FY 2014**

|                       | FY 2013      | FY 2014      | Change        |
|-----------------------|--------------|--------------|---------------|
| Unfunded Annual Leave | \$227,159.83 | \$239,444.42 | (\$12,284.59) |

Note accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations, whereas unfunded annual leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

**NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET**

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Committee in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Committee in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred for the Committee employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., good and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated and net cost of operations (i.e., providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

|   | <b>FY 2015</b> | <b>FY 2014</b> |
|---|----------------|----------------|
| Budgetary Resources Obligated   | \$5,337,109.58 | \$5,302,316.73 |
|   |                |                |
| Spending Authority from Recoveries and Offsetting Collections   | (2,122.99)     | (91,604.15)    |
| Imputed Financing from Costs Absorbed by Others   | 261,805.41     | 288,018.35     |
| Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided | (48,159.81)    | (97,587.31)    |
| Resources that Finance the Acquisition of Assets  | (46,574.41)    | (17,024.02)    |
| Financing Sources Yet to be Provided (see Note 11)  | 6,873.96       | 12,284.59      |
| Components Not Requiring or Generating Resources  | 6,768.43       | 930.73         |
|   |                |                |
| Net Cost of Operations  | \$5,515,700.17 | \$5,397,334.92 |

### **NOTE 13 – LEGAL CONTINGENCY**

The Committee is represented by counsel from the Department of Justice, Civil Division, Commercial Litigation Branch (DOJ), in a litigation matter related to a claim that the government infringed on a U.S. Patent. An evaluation of the likelihood of unfavorable outcome by litigation counsel from the DOJ is that it is reasonably possible (the change of an unfavorable outcome is less than probable but more than remote) that the plaintiff will prevail. The liability could be as high as \$1,500,000 to \$2,000,000. The litigation counsel at DOJ has advised that the law suit will not result in liability or payment of attorneys' fees being paid out by the Committee should judgement be entered against the Committee. The Committee has been told that any such payments would be split between the contractor and the Judgement Fund for the government's share.

### **NOTE 14 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 13, 2015, which is the date the financial statements were available to be issued.