

# U.S. ABILITYONE COMMISSION

## FISCAL YEAR 2017 PERFORMANCE AND ACCOUNTABILITY REPORT



*The U.S. AbilityOne Commission is the operating name for the  
Committee for Purchase From People Who Are Blind or Severely Disabled*

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## Message from the Chairperson, U.S. AbilityOne Commission

I am pleased to present the U.S. AbilityOne Commission's (Commission) Performance and Accountability Report for Fiscal Year 2017. This report includes results of this year's audit of the Agency's financial statements, outlines focus areas, reviews performance measures, highlights accomplishments, and identifies challenges that lie ahead.

The mission of the Commission is to provide employment opportunities for people who are blind or have significant disabilities in the manufacture and delivery of products and services to the federal government. The AbilityOne Program is one of the nation's largest sources of employment for its target population.

In FY 2017, in addition to its regular operations administering the program, the Commission focused on four key areas:

- Cooperative Agreements: Implementing the first full fiscal year of the Cooperative Agreements that govern the relationship with, and performance of, the two Central Nonprofit Agencies -- National Industries for the Blind and SourceAmerica.
- Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity: Participating on the panel, which was established in Section 898 of the 2017 National Defense Authorization Act, and working closely with the Department of Defense to accomplish the intent of Congress.
- Office of Inspector General: Continuing to staff and operationalize the Office of Inspector General, established in 2016.
- Western U.S. Field Office: Establishing an initial operating capability for a Commission Western U.S. Field Office.

FY 2017 was a year of transformation for the Agency as it continued to work through modifications to the Cooperative Agreements with the CNAs. Signed in June, 2016, the Cooperative Agreements established the governing relationship and respective roles and responsibilities of the Commission and its two designated CNAs within the AbilityOne Program. The Commission is reviewing its 2018-2022 Strategic Plan to ensure its content aligns with the Cooperative Agreements.

Growing jobs for people with disabilities, and particularly for veterans, is both an Administration and a nonpartisan priority. The AbilityOne Program and its nonprofit agencies have the experience and capacity to effectively address this national priority. Veterans benefit from AbilityOne through numerous wounded warrior transition programs, training and employment provided by AbilityOne-authorized providers.

Just over a year old, the Office of Inspector General is continuing to build capability and capacity while making progress toward its goals. In addition to its semiannual reports, the OIG recently issued its “U.S AbilityOne Commission Top Management and Performance Challenges Report,” Appendix I to this PAR. It contains the OIG’s assessment of the most critical issues facing the Commission and the AbilityOne Program, specifically:

- Erosion of statutory program authority
- Lack of adequate resources certainly impacts program effectiveness
- Enhancement to program compliance
- Establish an enterprise-wide risk management framework

Along with the Commission members and staff, I look forward to working with the OIG to address the areas identified.

This report contains both FY 2016 and FY 2017 data due to the timing of reporting cycles within the Program. Where possible, the most recent data is used.

For nearly 80 years, the goals and vision of the AbilityOne Program have expanded along with its reach. FY 2018 and beyond is a transformational period for the Commission to assess and enhance the efficiency and effectiveness of the AbilityOne Program’s mission-critical processes, and to prepare and position the AbilityOne Program for the future.

/s/

James M. Kesteloot  
Chairperson and Presidential Appointee  
U.S. AbilityOne Commission

## **Section 1: Management Discussion and Analysis**

### **1.1. Introduction**

The U.S. AbilityOne Commission is the operating name for the Committee for Purchase From People Who Are Blind or Severely Disabled. As the steward of one of the federal government's most unique programs, it creates private sector jobs for citizens belonging to one of our nation's most underemployed populations while providing quality products and services for sale to federal departments and agencies.

More than 46,000 people who are blind or have significant disabilities are employed through the AbilityOne Program, making it one of the largest sources of job opportunities for a population that historically has an unemployment rate of 70-80%.

Approximately 3,000 wounded, ill or injured veterans work in direct labor jobs in the AbilityOne Program. In addition, AbilityOne NPAs employ approximately 4,000 veterans working in indirect labor positions, including supervisory and management roles. In total, approximately 7,000 veterans work at AbilityOne NPAs. The range of their military service stretches from Vietnam to the recent conflicts in Iraq and Afghanistan.<sup>1</sup>

The Commission's work can be measured in the contribution of each gainfully employed person to local, state and national economies, versus the economic and personal costs when a person who is blind or has significant disabilities remains unemployed.

AbilityOne provided \$3.3 billion worth of products and services to the federal government in FY 2016, the most recent year this data is available. Jobs creating those products and services are located at approximately 550 nonprofit agencies located across the nation, and in Guam.

The Commission has 15 Presidentially-appointed members supported by a 28-person staff. The Commission is required by 41 U.S.C. 8501-8506 to designate one or more Central Nonprofit Agencies (CNAs) facilitate distribution of federal government orders for products and services. The Commission has designated National Industries for the Blind (NIB) and SourceAmerica.

During FY 2017, the Commission strengthened its oversight of the CNAs and increased its efforts to provide a source of jobs and related support for wounded warriors and other veterans.

These ongoing accomplishments align with AbilityOne's strategic goals:

- Effective Stewardship
- Employee and Customer Satisfaction
- Employment Growth
- Business Excellence

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<sup>1</sup> Paragraph clarified since original publication.

AbilityOne also:

- Operates at more than 1,000 locations representing 40 government agencies
- Operates more than 150 Base Supply Centers at military and government installations
- Provides SKILCRAFT® and other AbilityOne products

Statutory functions of Commission include:

- Establishing rules, regulations and policies to assure effective implementation and oversight of 41 U.S.C. 8501-8506 and the AbilityOne Program it authorizes.
- Increasing employment opportunities for people who are blind or have significant disabilities.
- Determining which products and services are suitable for provision by nonprofit agencies employing people who are blind or have severe disabilities, and providing information on such items to federal personnel through various publications and other means.
- Determining fair market prices for these products and services and revising prices in accordance with changing market conditions.
- Monitoring participating nonprofit agencies' compliance with 41 U.S.C. 8501-8506, Commission 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 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 41 U.S.C. 8501-8506.

AbilityOne returns dollars to the U.S. Treasury through:

- The AbilityOne contract close-out initiative (more than \$1 billion identified for de-obligation since 2010).
- Increased tax revenues from AbilityOne employees who are blind or have significant disabilities. In FY 2016, AbilityOne employees earned more than \$616 million in wages while gaining greater independence and experience.

## **1.2. Mission and Vision**

The mission of the AbilityOne Program is to provide job opportunities to people who are blind or have significant disabilities in the manufacture and delivery of products and services to the federal government.

The vision of the AbilityOne Program is to enable all people who are blind or have significant disabilities to achieve their maximum employment potential.

That vision will be realized when:

- Every person who is blind or has a significant disability 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 has the opportunity, with or without accommodations, to achieve his or her maximum employment potential.
- All AbilityOne products and services provide best value to federal customers, thus earning their continued support and loyalty.

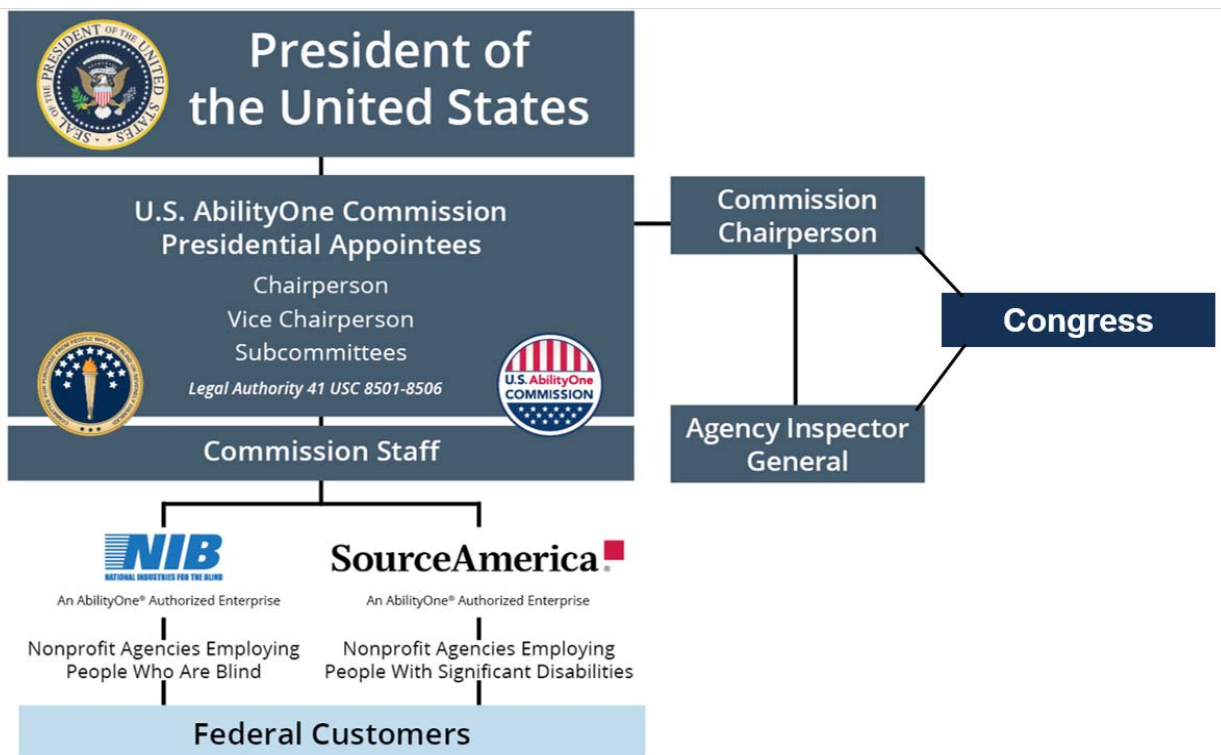
## **1.3. History**

The 1938 Wagner-O'Day Act established a unique link between job creation and federal purchasing power. Its focus, by law, was on providing employment for people who are blind to make products for the federal government. In 1971, the Act was amended to become the Javits-Wagner-O'Day (JWOD) Act, expanding the original legislation to include addressing the employment concerns of people who are significantly disabled. It also allowed participating nonprofit agencies to expand into providing services to the federal government. In 2006, the Committee launched the AbilityOne brand to better reflect its program's mission and the quality of the workforce. The Committee began operating as the U.S. AbilityOne Commission in 2011.

## 1.4. Organizational Structure

The AbilityOne Program is directed by the Commission composed of 15 Presidential appointees. Eleven are members of the federal government, representing agencies and departments that purchase products and services through AbilityOne. The remaining four members are private citizens who represent the employment concerns of people who are blind or have significant disabilities. The Commission operates as an independent agency of the federal government and is staffed with 28 fulltime federal employees. The Executive Director is a career member of the Senior Executive Service. An Office of Inspector General, established in 2016, operates at a separate location with six employees and is in the process of becoming fully functional. The Commission has designated two CNAs, NIB and SourceAmerica, to facilitate creating jobs.

**Figure 1. AbilityOne Program Organization**





## **1.5. Commission Members**

In FY 2017, the Commission re-elected James M. Kesteloot as Chairperson. He represents the employment concerns of people who are blind. The Commission elected Thomas D. Robinson as Vice Chairperson. He is a career member of the Senior Executive Service, and the Senior Procurement Executive for the U.S. Department of the Air Force. A full list of Presidential appointees serving on the U.S. AbilityOne Commission during FY 2017 follows:

*\* members who left the Commission during FY 2017*

### **James M. Kesteloot**

Chairperson

Representing Nonprofit Agency Employees who are Blind

Private Citizen

### **Lisa M. Wilusz (deceased)\***

Vice Chairperson (through April 2017)

Director of the Office of Procurement and Property Management

U.S. Department of Agriculture

### **Thomas D. Robinson**

Vice Chairperson (as of July 2017)

Director of Contracting, Air Force Life Cycle Management Center, Wright-Patterson AFB

U.S. Department of the Air Force

### **Perry E. Anthony, Ph.D. (retired)\***

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 (retired)\***

Deputy Assistant Secretary of the Army (Procurement)

U.S. Department of the Army

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

Representing Employment Concerns of People with Significant Disabilities

Private Citizen

### **Anil Lewis**

Representing Employment Concerns of People who are Blind

Private Citizen

**J. Anthony Poleo** (retired)\*  
Director, DLA Finance/Chief Financial Officer  
Defense Logistics Agency

**Jennifer Sheehy**  
Assistant Secretary, Office of Disability Employment Policy  
U.S. Department of Labor

**William A. Sisk**  
Assistant Commissioner, Office of Travel, Motor Vehicle and Card Services  
U.S. General Services Administration

**Virna L. Winters**  
Director for Acquisition Policy and Oversight, Office of Acquisition Management  
U.S. Department of Commerce

**RADM Jonathan A. Yuen**  
Commander, Naval Supply Systems Command and 47<sup>th</sup> Chief of Supply Corps  
U.S. Department of the Navy

## **1.6. Commission Staff**

A career member of the Senior Executive Service serves as the Commission's executive director and chief executive officer. The executive director leads the full-time civil service staff in carrying out strategic as well as routine Agency business. The staff handles all day-to-day AbilityOne business operations and prepares the information required by the appointees to make decisions. There were 28 FTEs on staff at the end of FY 2017. Senior leaders are listed below.

### Executive Leadership Team

Tina Ballard, Executive Director (SES)  
Kimberly M. Zeich, Deputy Executive Director (through August 2017 – now in training at National Defense University until June 2018)  
Barry S. Lineback, Deputy Executive Director (Acting, as of August 2017)  
Michael J. Rogers, Chief of Staff  
Timi Nickerson Kenealy, General Counsel  
Brian P. Hoey, Ph.D., Senior Advisor

### Senior Leadership Team

Barry S., Lineback, Director, Oversight and Compliance  
Amy B. Jensen, Director, Business Operations  
Shelly Hammond, Director, Policy and Programs  
Gloria Dent, Director, Veterans Employment and Initiatives  
Cory Foster, Program Manager

## **1.7. Office of Inspector General**

The Office of Inspector General (OIG) was established last year as mandated by the Consolidated Appropriations Act, 2016. The OIG reports directly to the Commission Chairperson and to Congress.

Thomas K. Lehrich, Inspector General  
Eugene Quinn Jr., Assistant Inspector General for Investigations  
Marcos Contreras, Assistant Inspector General for Auditing  
Dennis Lockard, Counsel to the Inspector General  
Stefania Pozzi Porter, Investigative Counsel  
Zaza Bur, Administrative Officer

## **1.8. Commission Meetings**

The Commission held quarterly meetings as follows:

- January 2, 2017
- April 27, 2017
- July 13, 2017
- October 5, 2017

## **1.9. Scope of Responsibilities**

The AbilityOne Program provides high value to many stakeholders including:

- To people who are blind or have significant disabilities, AbilityOne provides much needed jobs.
- To federal customers, AbilityOne provides quality products and services, from office supplies to military clothing and equipment, at a fair market price.
- To the U.S. taxpayers, the Commission provides stewardship of federal dollars to simultaneously address a practical purchasing need of the government and a socio-economic employment need of underemployed citizens.

The Agency has focused on growing its ability to provide oversight to the CNAs and participating nonprofits while continuing efforts to increase the 46,000 jobs created through the program. That number includes approximately 3,000 wounded, ill or injured veterans.<sup>2</sup> In 2017, the Commission established the Directorate of Veterans Employment and Initiatives to increase its employment and support services to veterans.

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<sup>2</sup> Sentence clarified since original publication.

## 1.10. Major Activities

- Continuing to implement the Commission's Cooperative Agreements with NIB and SourceAmerica, which include performance measures and accountability standards. The Cooperative Agreements, now in place for more than a year, have given the Commission tools for managing performance and ensuring greater accountability from the CNAs. The legislative mandate for these agreements was the Consolidated Appropriations Act, 2016.

In June 2016, both NIB and SourceAmerica signed Cooperative Agreements with the Commission that defined:

- Governing relationship, roles and responsibilities
- Key expectations of how the CNAs will perform
- Performance standards
- Quality Assurance Plan

The agreements also outlined ways to measure four key performance indicators:

- Employment Growth
- Program Administration, Oversight, and Integrity
- NPA Support, Assistance, and Development
- Training and Strategic Communications

The Cooperative Agreements provide the Commission with information necessary to grow jobs and preserve program integrity. Through the agreements, CNAs are given feedback to strengthen their performance.

- Participation in the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity. The Commission is fully engaged in working with the Department of Defense and other entities on this Panel as it meets quarterly to discharge duties across a range of areas including recommending actions related to employment of disabled veterans, as well as other people who are blind or have significant disabilities; eliminating waste, fraud, and abuse; exploring opportunities for competition among qualified nonprofit agencies or Central Nonprofit Agencies; and recommending changes to business practices, information systems and training.
- Establishing initial operations of a Western U.S. Field Office.

The creation of this regional office represents a response to the increasing size, scope and costs of the AbilityOne Program that require the Commission to rapidly identify issues and take immediate action to minimize or eliminate risks to the government.

The Western U.S. Field Office will help protect the government's interests, further the employment of people who are blind or have significant disabilities, greatly improve the Commission's program oversight and accountability, and meet Congressional direction.

Approximately 112 nonprofit agencies in 14 states -- Alaska, Arizona, California, Hawaii, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming – and the territory of Guam will be covered by the Western U.S. Field Office.

Contingent upon funding, the office will achieve full operational capability by the end of FY 2018.

- Continuing to build the Office of Inspector General

The OIG as an independent and objective office that promotes effectiveness and efficiency, and helps prevent and detect waste, fraud, and abuse in programs and operations. The Commission appointed its first permanent Inspector General in May 2017.

The OIG protects the integrity of the more than \$3 billion AbilityOne Program. Through audit and investigations, the OIG ensures Commission operations and programs are used appropriately and well serve the people who use them.

Still in the initial phases of its establishment and operating with constrained resources, the OIG has to date hired a limited number of mission critical employees, developed its Audit and Investigations Plans, issued its first Semi-Annual Reports to Congress, and aligned budget and mission requirements. Going forward, the OIG will, with the needed resources, increase its oversight efforts.

- Establishing a Directorate of Veterans Employment and Initiatives (DVEI).

This directorate's focus includes making the AbilityOne Program a center of excellence and clearinghouse for veterans' needs for employment and support services to successfully reintegrate into the civilian workforce. The DVEI will coordinate with other federal agencies and programs, educational institutions, and AbilityOne Program employees.

AbilityOne is uniquely positioned to address problems that veterans may face in getting and keeping a job. For example, veterans of recent conflicts in Iraq and Afghanistan are part of a demographic known as Gulf War Era II veterans. The veterans in this group who have a service-connected disability are less likely to be in the workforce than those who do not have a disability – 76 percent compared to 86.6 percent (U.S. Bureau of Labor Statistics, Employment Situation of Veterans Summary, 2017).

Approximately 3,000 wounded, ill or injured veterans are currently employed through the AbilityOne Program. The range of their military service stretches from Vietnam to the recent conflicts in Iraq and Afghanistan.

DVEI focuses on providing employment opportunities to wounded, ill, and injured veterans released from service. As part of this effort, it works to provide a source of employment opportunities with environments to support invisible injuries requiring accommodation and advocacy, such as Post Traumatic Stress and Traumatic Brain Injury. DVEI has established strong relationships within the community, including veterans' agencies, by participating in disability outreach symposia and wounded warrior events, providing educational information on resources that exist in AbilityOne.

## **Section 2: Performance – Strategic Goals, Objectives, Updates, Next Steps**

### **2.1. Strategic Goals Overview**

Four overarching strategic goals were pursued by the Commission and key AbilityOne Program stakeholders for the performance period FY 2014-2017. These goals are the cornerstones supporting mission execution and performance excellence and pertain to all participants in the AbilityOne Program. The Commission is responsible for the direction and oversight of the Program, and monitors implementation of the Strategic Plan. The CNAs and AbilityOne-participating NPAs are essential to achieving 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 NPAs participating in the AbilityOne Program. Beginning in FY 2016, the Commission also practiced effective program stewardship through its Cooperative Agreements with the CNAs. Stewardship means demonstrating leadership in strengthening and 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 financial income. The Commission has emphasized and fostered employee satisfaction, mainly through its Quality Work Environment initiative, and tracks 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 46,000 individuals, there are millions of Americans who are blind or have significant disabilities that are currently unemployed or underemployed. Since these individuals could benefit from the AbilityOne Program, 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 AbilityOne's target population desires to work and receive training.

### Goal 4. Business Excellence

As the Agency responsible for effectively administering 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 federal agencies are the (1) Procurement List (PL) addition end-to-end process, (2) fair market pricing (FMP) end-to-end process and (3) NPA performance and pricing during the contract lifecycle.

## **2.2. Effective Stewardship**

The Commission is responsible for implementing the JWOD Act and oversight of the AbilityOne Program. Historically, the Commission's stewardship goal has been focused on participating NPA compliance with statutory, regulatory and other unique AbilityOne requirements. Such NPA compliance remains an essential function of the Commission's oversight.

With the signing of the Cooperative Agreements in 2016, the Commission was heavily engaged in CNA oversight throughout FY 2017. Implementing these agreements requires focus on metrics, targets and outcomes pertaining to CNA performance. The Cooperative Agreements are posted on the Commission public website to provide transparency for AbilityOne stakeholders.

Based on the Commission's experience in the first year of the Cooperative Agreements, the overall assessment is that the Cooperative Agreements are an invaluable tool for oversight of the CNAs, providing the Commission a degree of enforceable authority – essential to effectively oversee the program -- that was missing for decades. The Cooperative Agreements create a regular process for accountability, and provide the Commission with new insights into CNA activities and performance.

The central challenges of implementing the Cooperative Agreements are:

- 1) Central Nonprofit Agencies are not paid by the government for their services. As a result, the government does not have the ability to protect the interests of the government and motivate these private entities to respond to government requirements.

2) Defined requirements, key expectations, performance standards and quality assurance are clearly defined for the first time in nearly 80 years. As a result, the Cooperative Agreements are being refined and amended as appropriate. The Cooperative Agreements are posted on the Commission public website to ensure transparency for all AbilityOne stakeholders.

**Strategic Objective 2.2.1.**

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

The Commission requires all AbilityOne-participating NPAs to comply with its statutory and regulatory requirements to maintain qualification and eligibility to participate in the program. There is no acceptable level of noncompliance. AbilityOne participants are afforded the opportunity, however, to complete a corrective action plan to remediate deficiencies.

If an NPA is out of compliance, the consequences include requiring NPAs to make in-person reports to the Commission, placing NPAs on probation, suspending NPAs from consideration for AbilityOne work opportunities, and removing NPA eligibility to participate in AbilityOne.

Determining NPA compliance is an inherently governmental duty performed solely by the Commission through on-site audits and review of NPA annual reports containing certified data. The CNAs are responsible for providing education, regulatory assistance, monitoring and reporting to the NPAs.

The first measure of this objective has a very clear performance indicator, which is the number and percentage of NPAs 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 have significant disabilities. Compliance with this requirement is based on an NPA’s cumulative data for the fiscal year, which is certified and reported to the appropriate CNA before it is submitted to the Commission.

More than 96% of NPAs were in compliance with the direct labor hour ratio requirements, according to the most recent year-end data from FY 2016. Of 543 NPAs, 22 were out of compliance with this requirement.

	<i><b>FY 2012 Results</b></i>	<i><b>FY 2013 Results</b></i>	<i><b>FY 2014 Results</b></i>	<i><b>FY 2015 Results</b></i>	<i><b>FY 2016 Results</b></i>
Nonprofits in Compliance	575/598	552/579	541/565	528/549	521/543
Percentage (Target 100%)	96.15%	95.34%	95.75%	96.17%	95.95% <sup>3</sup>

**Table 1. Five-Year Results for AbilityOne NPA Compliance.**

<sup>3</sup> Percentage adjusted since original publication.



The Commission analyzed the reasons for the NPAs' failure to comply with the direct labor hour ratio requirement in FY 2016. It found that the most frequent occurrences were related to changes in phase-in plans or large State-use contracts that included different direct labor ratio requirements. The Commission uses its analysis of noncompliance causes and factors to develop educational and compliance review priorities for the next year and to assess which NPAs to inspect according to risk of noncompliance based on their history and other variables.

The Commission also monitored the percentage of deficiencies corrected either during or after its compliance reviews. To remain in the AbilityOne Program, all NPAs that were out of compliance were required by the Commission to submit corrective action plans. These plans were reviewed by the compliance staff to ensure adequacy, then monitored on a quarterly basis.

As a result, one NPA was required to appear before the Commission during FY 2017 to explain the circumstances resulting in its noncompliance, and how it will achieve full compliance. Among NPAs previously found to be in noncompliance, the vast majority either completed or were in the process of completing corrective action. No NPAs were removed from the program in FY 2017 for uncorrected noncompliance.

### **Strategic Objective 2.2.2.**

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

The second performance indicator speaks to the Commission's reach for on-site compliance reviews. From FY 2010 to FY 2016, the Commission completed nearly 500 NPA on-site reviews, reaching more than 80% of all AbilityOne NPAs. In FY 2016, the Commission suspended this quantitative performance metric in order to evaluate, update, and ultimately transform the compliance review process to enhance accountability and data quality.

As this compliance transformation process continued into FY 2017, the Commission staff continued to provide virtual training sessions and one-on-one guidance to NPAs. The training's fundamental purpose is to increase NPAs' awareness and understanding of the requirements that must be met to achieve full compliance.

The Commission's Annual Representations and Certifications ("Reps and Certs"), launched in FY 2016, increases the Commission's visibility into additional regulatory and contract compliance areas, and requires NPAs to explain any deviations in writing. Commission staff trained NPAs on the requirements of the new certification forms. The Reps and Certs document is subject to the False Claims Act, and must be signed by the NPA's CEO and Board Chairperson.

Consistent with Congressional mandates for greater oversight of the program, and related to the focus of the 2017 NDAA Section 898 Panel, the Commission conducted internal process reviews of the CNAs in FY 2017. Results from these reviews are in the process of being analyzed.

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

The AbilityOne Program's 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. Many studies have shown that employee satisfaction is a prerequisite to providing outstanding customer service, so the elements of this goal 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 central metric for this objective is the AbilityOne Program's Quality Work Environment (QWE) initiative, launched in 2010 to improve the experience and satisfaction of all employees at AbilityOne-participating nonprofit agencies with an emphasis on people who are blind or have significant disabilities.

Overall, 81% of AbilityOne employees were satisfied with their jobs (81%) and felt proud of their work (86%), according to the latest QWE survey performed in 2016. They received the tools and equipment to do their jobs well (84%). Their work area was safe (88%) and accessible (86%), and 89% would recommend their NPAs.

To put job satisfaction in perspective, the AbilityOne employees' 81% satisfaction rate is more than the national job average satisfaction rate as reported by the Conference Board (approximately 50% in 2016) and the Federal Employee Viewpoint Survey on Global Satisfaction rate (68% in 2017).

A significant majority of employees with severe cognitive/intellectual disabilities are very happy about their jobs. Their work experience and job satisfaction may be further enhanced by social activities and more interactions with people who are like them. Employees with mental illness or other disabilities wanted to find better employment opportunities and needed more training and information about job opportunities in the community.

The survey results provide opportunities to identify NPAs with best practices in training and recognition so that the NPAs can share their experiences and best practices of how to support employees in within NPA communities.

Continuing the QWE initiative roll-out remains a top priority for the Commission. QWE 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. NPAs that adopt the QWE initiative first conduct self-assessments using the AbilityOne standardized survey, then create and implement action plans, making periodic reports to their CNAs.

Best practices disseminated through the QWE initiative include employee involvement, training and development, and employee benefits – all of which correlate positively with elements of job satisfaction most desired by AbilityOne employees.

The Commission established an end goal of full participation in the QWE initiative across the AbilityOne Program. The annual targets and measures have evolved from the percentage of NPAs participating in QWE to the percentage of AbilityOne *employees* participating in QWE. QWE is a voluntary program, and participation levels were 78% of employees working on AbilityOne contracts at the end of FY 2017. Reaching the final 22% of AbilityOne employees will require a high adoption rate among the remaining smaller NPAs to move the needle.

Table 2 below shows the QWE participation scorecard, comparing September 2016 to September 2017. The participation level was essentially flat over the last year. References to “round” indicate NPA progress in the QWE phased rollout process.

	AbilityOne Employees	AbilityOne Employees
	<b>9/2016</b>	<b>9/2017</b>
Completed Self-Assessment	78%	78%
Developed Action Plan	68%	68%
Implementing Action Plan	67%	67%
Completed 1 <sup>st</sup> Round/ Working 2 <sup>nd</sup> or 3 <sup>rd</sup> Round	24%	26%

**Table 2. AbilityOne Quality Work Environment Participation through September 2017.**

**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.*

Throughout this decade, the AbilityOne Program has a history of gathering federal customer feedback from different segments of the audience, including contracting officers and end-users. Several methodologies were employed, principally surveys, and described in the agency’s previous Performance and Accountability reports. However, many government agencies, including the Department of Defense, now limit acquisition personnel participation in surveys without special authorization.

For that reason, the Commission now places a greater emphasis on the Contractor Performance Assessment Reporting System (CPARS), which is required for DOD contracts with AbilityOne Program providers valued at \$1 million or more annually. This system has the potential to provide anecdotal customer feedback. The Commission continued to implement GAO recommendations related to pricing, and increased its dissemination of procedures, manuals and training the help ensure greater transparency regarding establishing PL prices.

Federal customer feedback also continues to be gathered through quarterly Commission meetings where Commission members are consulted, Commission outreach via speaking engagements and conferences, and regular meetings with DOD acquisition personnel, especially AbilityOne liaisons and Defense Procurement Acquisition Policy leaders and staff.

The Commission is in the process of updating its pricing manuals, as well as evaluating all Commission pricing policies, memoranda and procedures. The Commission is establishing purchase card training to ensure federal employees are familiar with how to use AbilityOne. In addition, the Commission is working with Defense Acquisition University to create a training program which, pending funding, the Commission intends to expand to train other customers to meet AbilityOne requirements.

## **2.4. Employment Growth**

The AbilityOne Program was established with one purpose: to create and sustain employment opportunities for people who are blind or have significant disabilities in the manufacture and delivery of products and services to the federal government. The Commission monitors employment in terms of jobs created and sustained, and places its highest emphasis on the number of direct labor hours worked by AbilityOne employees. AbilityOne employment growth strategies revolve around increasing federal agencies' procurement of both existing and new products and services on the PL. The Commission works to ensure that federal agencies are aware of, and comply, with the AbilityOne mandatory source requirements, and that they do not diminish AbilityOne job opportunities by purchasing alternative products or services.

### **Strategic Objective 2.4.1.**

*Increase employment opportunities and quantity of work by people who are employed through the AbilityOne Program by 2% per year for products and 7% per year for services.*

Targets established in this strategic objective for AbilityOne employment growth – 2% year-over-year growth related to AbilityOne products, and 7% year-over-year growth related to AbilityOne services – were based on program trends prior to the budget austerity and military drawdown experienced in FY 2013-2014. The Commission made a deliberate decision not to immediately decrease its expectations for employment growth in response to those years. In FY 2016, the AbilityOne Program saw some rebound from those decreases, particularly on the products side.

For people employed in the AbilityOne products and services sectors, FY 2016 year-over-year employment declined 2.97% and 2.38%, respectively, for a combined decrease of 2.52%. Job placements increased 6.22%, and promotions into supervisory and non-supervisory positions increased 12.06%.

	<i>FY 2015 AbilityOne Result</i>	<i>FY 2016 AbilityOne Result</i>	<i>% Change</i>
Hours	46,845,904	47,352,402	1.08%
People	47,368	46,161	-2.52%
Promotions	1,002	1,477	12.06%
Placements	2,029	2,101	6.22%
Wages	\$589,488,658	\$616,214,842	4.53%
Sales	\$3,153,999,582	\$3,333,592,316	5.69%

**Table 3. AbilityOne Program Employment Data through September 30, 2016.**

Products added to the Procurement List in FY 2016 include:

- Gloves for FBI investigators
- Instant hot and cold packs
- Army Vertical Skills Engineering Construction Kits for carpentry, electric, pipefitting and masonry
- Hand trucks
- Post mortem bag kits
- Key cabinets

Services added to the Procurement List in FY 2016 include:

- Custodial service for Defense Intelligence Agency, Bolling AFB
- Mail and courier services
- OPM Retirement Records Center, Boyers, PA
- Base operations support, USN NAS Whidbey Island, WA
- Facilities operations and maintenance, U.S. Army Criminal Investigation Lab, Fort Gillem, GA
- Custodial services, Architect of the Capitol, U.S. Capitol Power Plant, Washington, D.C.
- Document conversion and support service, FCC HQ, Washington, D.C.
- Administrative support service, FAA, Great Lakes Region Office, Des Plain, IL
- Sustainment, restoration and modernization service, U.S. Army, DPW, Fort Riley, KS

Employment created by Procurement List additions is a traditional indicator of AbilityOne employment growth. Table 4 below shows current, historical and averaged results.

	<i>FY 2013 Results</i>	<i>FY 2014 Results</i>	<i>FY 2015 Results</i>	<i>FY 2016 Results</i>	<i>FY 2017 Results</i>	<i>5-Year Average</i>
PL Addition Actions	156	115	89	73	144	115.4
New FTEs	970	485	446	375	669	589

**Table 4. Fiscal Years 2013-2017 Procurement List Additions and New FTEs.**

In FY 2017, the number of AbilityOne Program direct labor hours increased by the equivalent of 669 Full-Time Equivalents (FTEs). Since AbilityOne employees often work less than full time, this increase in direct labor hours provided employment for approximately 1,338 individuals. Table 4 shows that FY 2017 was above average for new Procurement List opportunities coming to the AbilityOne Program, underscoring the importance of more customer outreach and expansion into new lines of business.

The AbilityOne Program continued to emphasize employment opportunities for wounded warriors and other veterans with disabilities in FY 2017, particularly in emerging lines of business such as software testing, facilities management and contract closeout work. The employment of approximately 3,000 veterans and wounded warriors across the AbilityOne Program is a point of both pride and continued commitment for the Commission.

**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 its workforce’s capability.

The Commission’s government members are senior leaders within their federal agencies in areas such as procurement, finance, logistics, or vocational rehabilitation (see listing in Section 1.5). 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 Commission’s private citizen members are well respected in the broader disability community and perform advocacy there to facilitate communication opportunities for AbilityOne participants and other public policy thought leaders.

## **2.5. Business Excellence**

The Commission executes mission-critical business processes working with its CNAs, participating NPAs and federal customers. Its goal is to improve the efficiency and efficacy of three critical business processes: (1) the PL addition process, which as discussed above generates employment, (2) fair market pricing policy and procedures, and (3) the CNA Fee determination and implementation process.

### **Strategic Objective 2.5.1.**

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

The first objective for the PL addition process was to decrease cycle time 50% during the period of the Strategic Plan. Due to the length of time required to go through the PL addition process, some AbilityOne project opportunities have been lost, according to anecdotal feedback from CNAs and federal customers. The Commission response has been to build on efforts made over the past several years to pursue cycle time reductions, and to deploy the efficiencies obtain through previous Six Sigma process mapping, diagnosis and Lean implementation. In order to further streamline the process, delays and wait time must be reduced in the pricing and costing development and negotiation phase, which is discussed in Strategic Objective 2.5.2 below.

### **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 Procurement List. 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.

In FY 2017, as part of its efforts to increase transparency of AbilityOne pricing, the Commission began revising of its pricing procedures. By fiscal year end, the revised policy was in draft and awaiting coordination through the Commission’s Cooperative Agreement Program Management Office. These revisions follow earlier actions in FY 2015 and FY 2016 in which Standard Operating Procedures were issued and the Commission’s pricing policies and procedures updated and posted on [www.AbilityOne.gov](http://www.AbilityOne.gov).

### **Strategic Objective 2.5.3.**

*Align CNA Program Fees to core strategic goals of the AbilityOne Program.*

This objective pertains to Commission oversight and evaluation of the CNAs' use of resources. The CNAs are not funded by appropriation, but receive a fee of nearly 4% of the over \$3 billion of AbilityOne contract dollars. This fee is included in contract costs to the government. The fee is set by the Commission and establishes a ceiling approved by the Commission. As a result, the CNAs have the flexibility to lower the fee based on individual circumstances of nonprofits that pay the fee.

Prior to FY 2016, the Commission reviewed the CNAs' annual business plans and projected revenues, evaluated the resources needed to perform the CNAs' duties, and set a ceiling on fees. The CNA fee was approved to facilitate the distribution of orders by direct allocation, subcontract or other means. The CNA fee was also used to provide technical and financial support to AbilityOne-participating NPAs and to execute the CNAs' responsibilities in the JWOD Act, Regulations and Policy. The Commission considered the employment numbers and other results from each previous year in comparison to the CNAs' plans, and decided whether to maintain or change the fee ceiling accordingly.

In 2016, the Consolidated Appropriations Act required the Commission to establish written agreements with the CNAs. These agreements changed the term "CNA Fee" to "Program Fee" and provided the means to base the fee on CNA performance in lieu of business plans.

The Cooperative Agreements address roles and responsibilities, performance, reporting and the collection of program fees. The Cooperative Agreements also specify unallowable costs and link fee collection to performance. Through the Cooperative Agreements' Performance Work Statements and Quality Assurance Surveillance Plans, the Commission will have more robust oversight of the CNAs' duties and outcomes.

Fee ceilings for FY 2017 were 3.9% for NIB and 3.85% for SourceAmerica. The current fee provides approximately \$100 million annually in combined revenue to the CNAs, which collectively have more than \$100 million in reserves and assets.

The 2018 fee ceiling will be based on CNA performance in accordance with the Cooperative Agreements. Additionally, CNA performance will be informed by Commission staff reviews, reviews by the Office of the Inspector General, and other reports or findings relevant to the agreements, JWOD Act, regulations and policy.

## **Section 3: Other Information**

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

These overarching management priorities and challenges were foremost during FY 2017 (for further details of related activities, see section 1.9., Scope of Responsibilities, in this report):



- Continuing to implement the Commission’s Cooperative Agreements with NIB and SourceAmerica. Specific challenges include:
  - This is the first binding agreement between the parties in nearly 80 years. This much-needed change is unprecedented.
  - In FY 2017, the agency had one program manager and one contracting officer to oversee the performance on \$3 billion in total contracts, whereas the contractors performing the work have combined resources of approximately 400 personnel to call upon.
  - From training and application of new business practices to continuing the core business processes, the Commission staff of 26 employees is adjusting to a process governed by these bilateral agreements.
- Risks posed by these challenges include:
  - Potential fraud, waste or abuse.
  - Continuing stagnation of employment growth.
  - Federal agency and customer confidence in the AbilityOne Program.
  - Existing jobs of people who are blind and or significantly disabled.
- Participation in the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity; Defense Acquisition University Training. Commission challenges include:
  - Limited capacity.
  - Workload priorities that must be reassessed and reassigned to actively participate in developing recommendations that will shape the future of the program.
  - Strict requirements for implementing recommendations.
  - Shifting priorities and the need for changing personnel skills and staff as the Commission implements the recommendations.
- Establishing initial operations of a Western U.S. Field Office.
- Building up the Office of Inspector General.

- Establishing a Directorate of Veterans Employment and Initiatives. The Directorate will answer the employment needs of service members who are blind, or have significant disabilities. Much like AbilityOne's traditional target population, this group has higher unemployment than the general population.

As discussed in the Effective Stewardship goal section, and Business Excellence section, the Consolidated Appropriations Act, 2016, signed into law on December 18, 2015, established two new mandates for the Commission to meet in FY 2016. The Commission was to enter into written agreements with the two designated CNAs and was to establish a new Office of Inspector General for the agency and the AbilityOne Program, both within 180 days (by June 15, 2016).

Notwithstanding its small staff and the limited amount of time, the Commission developed a laser-focus on completing both statutory requirements on time, which required all but the most mission-critical tasks outside of these mandates to become a lower priority. Subject matter expertise from other federal agencies was requested and leveraged to support these efforts. The Commission consulted with and reported back to the Office of Management and Budget and to Congress, as appropriate, during this period. To sustain these efforts, the Commission required additional staff and resources in FY 2017 and will continue to do so in the out-years.

### **3.2. Cross-Agency Collaborations**

Without question, the most significant cross agency collaboration in FY 2017 was the establishment of the National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity; Defense Acquisition University Training. The Commission is devoting major portions of its limited resources to the panel to ensure that the stakeholders involved receive the support this effort requires. Initial meetings have revealed significant interest in the AbilityOne Program and optimizing it for the future.

The Defense Acquisition University (DAU) Training portion of the NDAA Section 898 reinforces the AbilityOne's longtime bond with DAU. The Commission and DAU already have a Memorandum of Agreement that provides access to DAU contracting courses for Commission staff and AbilityOne employees who are blind or have significant disabilities. This agreement has enabled more than 200 individuals who are blind or have significant disabilities, including 32 wounded warriors or service-disabled veterans, to become trained and prepared for employment in contract closeout activities. DAU has worked closely with NIB to ensure full accessibility of the course materials for students who are blind or have visual impairments.

Beyond the panel, the Commission itself is a cross agency collaboration, as appointees from 11 different federal agencies come together to determine how to increase employment for people who are blind or have significant disabilities through the delivery of products and services to the government.

### **3.3. Evidence Building (Research and Evaluation)**

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-bound. 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 NPAs that participate in the program and the AbilityOne employees themselves. The average hours worked per AbilityOne employee and the number of employees per NPA are two examples of evidence that has informed Commission decisions or policy positions.

The Commission has requested and received additional data collection authority under the Paperwork Reduction Act. The Commission now collects specific data on the employment of veterans under the AbilityOne Program, in order to better evaluate how well the AbilityOne Program's outreach to and opportunities for veterans are connecting with the intended audience. The Commission also collects more specific and thorough NPA performance data through Annual Representations and Certifications. The additional data captures small business subcontracting and compliance with federal contracting requirements, among other elements relevant to NPA performance.

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

Most of the key program data used for analysis and reporting is collected from each participating NPA 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 NPAs and verify that their collection techniques are valid and accurate.

The annual program data must be verified and certified by the head of the NPA and an officer of its Board of Directors. In addition, the data is initially provided to the appropriate CNA for its 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/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.

### **3.6. Assessment of Reliability and Completeness of Financial and Performance Data**

Regarding financial data, the Agency uses independent auditors to provide an unmodified opinion on its financial statements for FY 2017 and on its internal control over financial reporting. All detailed performance and financial information in the Commission's Financial Statements and Independent Auditor's Report is complete and reliable, and meets the Agency's high standards for accuracy and transparency (see Appendix II).

Regarding performance data, most of the key program data used for analysis and reporting is collected from each participating NPA in the AbilityOne Program. See Section 3.4., Data Validation and Verification, for related details.

## **Section 4: Conclusion**

Since its inception nearly 80 years ago, what is now known as the U.S. AbilityOne Commission has carried out a unique mission linking both private sector and government resources together to administer what is now called the AbilityOne Program. Upwards of 46,000 people who are blind or have significant disabilities not only rely on AbilityOne for employment but also for the economic and quality-of-life value that work creates in their lives and our nation. Federal departments and agencies rely on the program for products and services to support their mission.

The Commission is experiencing a period of change and improvement as it continues to move forward on a number of Commission initiatives and legislative mandates that increase its ability to provide oversight of the AbilityOne Program. The Cooperative Agreements with the CNAs (NIB and SourceAmerica) and the NDAA Section 898 Panel are each setting standards, providing information and giving guidance that allow greater transparency in business practices while increasing the Commission's ability to do its job.

The initial establishment of the Western U.S. Field Office fits into that matrix, putting boots on the ground to ensure compliance with program requirements, assessing and aiding NPAs in compliance with program requirements, and working with other federal agencies to develop and assess NPA contract pricing and performance. Most importantly, the field office will represent the government's interest according to the JWOD Act. In addition, AbilityOne is increasing its outreach to veterans who could also benefit from the program's employment and work support resources.

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**Appendix I**

**Office of Inspector General**

**“U.S. AbilityOne Commission Top Management and Performance Challenges Report”**

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## Office of Inspector General

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2331 Mill Road, Suite 505  
Alexandria, Virginia 22314-4608

October 16, 2017

### MEMORANDUM

FOR: James M. Kesteloot  
Chairperson  
U.S. AbilityOne Commission

Tina Ballard  
Executive Director

FROM: Thomas K. Lehrich *TKL*  
Inspector General

SUBJECT: U.S. AbilityOne Commission Top Management and Performance Challenges Report

In accordance with the Reports Consolidation Act of 2000 (P.L. 106-531), the Office of Inspector General (OIG) is submitting what it determined to be the top management and performance challenges facing the U.S. AbilityOne Commission (Commission), for inclusion in the Commission's "Agency Performance and Accountability Report" for fiscal year 2017.

To gain their perspective, we discussed with Commission officials, including the Executive Leadership Team, challenge areas. These areas are essential to the Commission's responsibility for administering the Javits-Wagner-O'Day Act (41 U.S.C. §§8501-8506) and the AbilityOne Program.

If you have any questions, please do not hesitate to contact me.

Enclosure: Top Management and Performance Challenges Report

cc: Michael Rogers, Chief of Staff  
Barry Lineback, Acting Deputy Executive Director

# Top Management and Performance Challenges Report

## Introduction

Enacted in 1938, the Wagner-O'Day Act established the Committee on Purchases of Blind-Made Products to provide employment opportunities for the blind. Legislation sponsored by Senator Jacob K. Javits was signed in 1971, amending and expanding the Wagner-O'Day Act to include persons with other severe disabilities. The Act, as amended, became known as the Javits-Wagner-O'Day (JWOD) Act and the Program's name became the Javits-Wagner-O'Day Program (JWOD Program). The 1971 amendments also changed the name of the federal agency to the Committee for Purchase from People Who Are Blind or Severely Disabled (CPPBSD) to reflect the expanded capabilities of the Program.

In 2006, CPPBSD changed the Program's name from the JWOD Program to the AbilityOne Program to recognize the broad positive capabilities of the program offerors. CPPBSD adopted the AbilityOne name in its title in 2011 and is now known as the U.S. AbilityOne Commission (Commission).

With a roster of 15 presidentially appointed Committee members and 31 full-time professional staff, the Commission is responsible for establishing the rules, regulations, and policy to ensure effective implementation of the JWOD Act and for the administration of the AbilityOne Program which recently exceeded \$3 billion in sales to government agencies worldwide. Goods and services providers are located in all 50 states as well as Puerto Rico and Guam and employ approximately 46,000 people.

The Program is administered by the Commission, two central nonprofit agencies (CNAs), as well as a nationwide network of qualified nonprofit agencies (NPAs). The CNAs, the aptly named National Industries for the Blind (NIB) and SourceAmerica, connect nonprofit agencies that hire persons who are blind or have severe disabilities with federal government contract opportunities. The Commission maintains and publishes a Procurement List (PL) of specific products and services which agency purchase agents can buy to help them meet their departments' mission needs. In addition, the Committee members determine fair market price (FMP) for the PL items and, when appropriate, revise the PL to keep program products and services competitive with other commercial offerings available to agencies.

The Reports Consolidation Act of 2000 (P.L. 106-531) requires Inspectors General to identify and summarize agency management challenges, as well as program successes, in an annual report to stakeholders. Using sources of information provided by the Government Accountability Office (GAO), the Department of Defense Office of Inspector General (DoD OIG), and other sources, this report represents the CPPBSD Office of Inspector General's (OIG) perspective on current Commission challenges and describes how those challenges could impact future success.

While the management challenges included here are not listed in any particular order, they do represent the most critical issues facing the Commission and the Program. In the future, the OIG will evaluate and report on management progress.

## Management Challenge 1: Erosion of Statutory Program Authority

### Why This Is a Challenge

The legal framework for the AbilityOne Program was created in 1938 and amended in 1971. Since that time, Congress has enacted and agencies have implemented multiple acquisition reform laws designed to modernize the way that government agencies buy goods and services. In addition, several new laws have been passed which aim to ensure our Nation's disabled veterans have expanded opportunities in government procurement contracts.

For example, Congress passed The Veterans Entrepreneurship and Small Business Development Act in 1999, the Veterans Benefits Act (VBA) in 2003, and in 2006 it approved the Veterans Benefits, Health Care, and Information Technology Act which removed important language from the VBA of 2003. Each law established procedures related to service-disabled veteran business procurement goals and requirements, but the VBA of 2006 removed clear JWOD supremacy rules that were formerly present. Additionally, Executive Order 13360 was issued to increase federal contracting and subcontracting opportunities for service-disabled veteran businesses to the detriment of Program participants.

While these programs and others like them enhance businesses opportunities for service-disabled veterans, it can often be difficult for contracting officers to navigate the complex regulations that govern them. Recent court filings demonstrate the challenges the Program faces and the confusion as to how Program rules should be interpreted and implemented.

In *Kingdomware Technologies, Inc. v. United States*, 136 S.Ct. 1969 (2016), the Supreme Court held that VA contracting officers are required to give veteran-owned small businesses (VOSB) procurement priority when there is a "reasonable expectation" that two or more VOSB will bid on the contract "at a fair and reasonable price that offers best value to the United States" (Veterans Benefits Act of 2006) (38 U.S.C. § 8127(d)). This is known as the "Rule of Two" analysis. The Court also held that this analysis was required regardless of whether the VA had already met its annual minimum VOSB contracting goals.

In *PDS Consultants, Inc. v. United States*, Case No. 16-1603C, (Fed. Cl. 2017), PDS alleged in the Court of Federal Claims that the Department of Veterans Affairs (VA) improperly implemented the Veterans Benefits, Health Care, and Information Technology Act of 2006 (Veterans Benefits Act of 2006) (38 U.S.C. §§ 8127, 8128) mandate when it revised its contracting rules in an attempt to comply with the Supreme Court ruling in *Kingdomware* while remaining compliant with the JWOD Act.

In *PDS*, the VA awarded a contract to a qualified NPA provider on the AbilityOne Procurement List without first employing the VBA's "Rule of Two" analysis as *Kingdomware* required. The VA did so because it believed that *Kingdomware* could be distinguished as applying only to competitive contracts and that JWOD procurements were non-competitive. The VA further believed that the mandatory nature of the VBA's "Rule of Two" applied only to new contracts and that here it was merely renewing a contract that existed prior to the VA's 2010

implementation of the VBA of 2006. The Court of Federal Claims disagreed with the VA, holding that the VA must conduct a “Rule of Two” analysis for all new procurement contracts before treating the AbilityOne Procurement List as a mandatory source pursuant to the JWOD Act. The Court of Federal Claims also held that because the VBA of 2006 applied only to the VA’s procurements, the VBA was a more specific statute than the JWOD Act’s broad application government-wide, and thus the VBA took precedence, regardless of the existence of a prior contract with a Procurement List contractor.

On September 1, 2017, the Court of Federal Claims stayed its decision in *PDS* pending appeal to the United States Court of Appeals for the Federal Circuit in order to resolve the issue of whether the court properly interpreted the interplay between the VBA and JWOD Act. Until this case is resolved, confusion about how to implement the two programs remains.

Additional challenges remain, and include but are not limited to:

- a. Original language from the National Defense Authorization Act for Fiscal Year 2018, Title VIII – Acquisition Policy, Acquisition Management, and Related Matters, as sent to the Senate, included provisions to allow for federal agencies to purchase products from online retailers – this language was removed from the bill before it was returned to the House for approval, but demonstrate the existence of more erosion forces in the future;
- b. Increased use by Congress to include agency-specific language in appropriation acts that require agencies to operate in a manner averse to the JWOD Act in procurement matters (“Notwithstanding any other provisions of law....”);
- c. Recommendations for changes to the AbilityOne Program and the definition of “competitive integrated employment” resulting from the report of the *Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities* established under Section 609 of the Rehabilitation Act of 1973, as amended by Section 461 of the Workforce Innovation and Opportunity Act (WIOA);
- d. Continued efforts by Randolph-Sheppard Act participants and supporters to implement its mandate to the detriment of the AbilityOne Program;
- e. Efforts by the Small Business Administration to assert its preference programs over the mandatory priority of the JWOD Act;
- f. Lack of enforcement capabilities for the AbilityOne Program to assert its mandatory source priority when federal agencies fail to purchase AbilityOne products and services;
- g. Increased legal challenges from qualified nonprofit agencies (NPAs) questioning the agency’s authority to administer the AbilityOne Program;
- h. Amplified criticism of the AbilityOne Program from disability groups which calls for changes to the implementation of the AbilityOne Program.

### Progress In Addressing The Challenge

As mandated by Congress, the Commission is a member of the “Panel on Department of Defense and AbilityOne Contracting, Oversight, Accountability, and Integrity” or Section 898 Panel. (See Pub. L. 114-328, FY 2017 National Defense Authorization Act). The mandate of the Section 898 Panel includes making recommendations to Congress regarding the JWOD Act and improving the AbilityOne Program.

Additionally, the Commission will continue to work with Congress to update legislation improving the Program's statutory authority. The Commission continues to seek increased cooperation from Program participants to improve processes and controls, and to recognize the market evolution where NPAs increasingly contribute ideas for inclusion to the PL.

### What Needs To Be Done

While the Commission continues its work with the Section 898 Panel and agency partners, it is vital to ensure contracting officials have a thorough understanding of the program's legal framework so that it can be implemented in a fair and effective manner.

In an effort to improve educational awareness about the program, the Commission's initiative in issuing educational materials and providing presentations to agencies, so they understand how the Program can help them meet critical agency needs, is vital.

### Key Resources

1. 41 U.S.C. §8501 – 8506.
2. 41 CFR Chapter 51, Committee for Purchase From People Who Are Blind or Severely Disabled.
3. Veterans Benefit Act, 38 U.S.C. 8127(a), (d), (i).

## Management Challenge 2: Lack of Adequate Resources Certainly Impacts Program Effectiveness

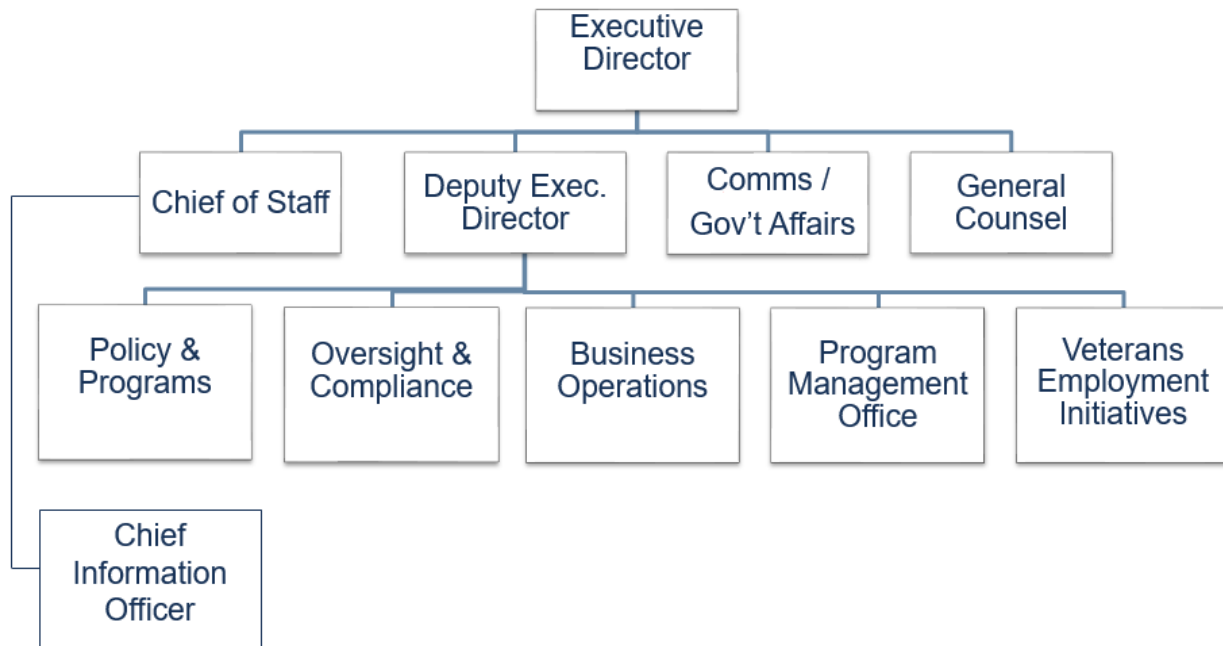
### Why This Is a Challenge

The U.S. AbilityOne Commission does not have adequate staffing and resources to effectively execute its responsibilities and sustain its mission. In the long term, if adequate funding is not provided, budget pressure could impact the Commission's capacity to ensure program accountability and operational efficiency.

Currently, the Commission operates with a staff of less than 31 people who are responsible for administering a \$3 billion program with locations in all 50 states, as well as Puerto Rico and Guam. Its resource levels are not comparable to the geographical size and complexity of the program it oversees, so the Commission is seeking remedies to these problems by working with the Office of Management and Budget (OMB) and Congress.

In attempting to meet the Agency Reform Plan requirements, as prescribed by OMB in Memorandum M-17-22, the challenge for the Commission is to be able to operate effectively despite funding shortages, which negatively impact its ability to properly administer the AbilityOne Program.

## U.S. AbilityOne Commission Staff Organizational Chart



### Progress In Addressing The Challenge

The Commission conducted a comprehensive review of its nonprofit agencies (NPAs) compliance structure and processes which led to the conclusion that both needed reform. As a result, in FY 2017, the compliance review process was enhanced with the establishment of additional delineated procedures and, as outlined in the House Committee on Appropriations Report language, with a greater focus on the importance of complying with direct labor hour ratio requirements. Lastly, the Commission continues to evaluate considerations for its field office location, including its proximity to nonprofit agencies, cost of living, GSA rental space options, and access to travel.

### What Needs To Be Done

The Commission should continue to focus on integrating its risk management with its strategic planning. Continued focus on key agency restructurings or work-process redesigns will help the Commission promote favorable economic conditions, manage diverse activities, and properly respond to Congressional mandates.

### Key Resources

1. Committee House Appropriations Report 115-224 at 133, accompanying the Funding Bill for Fiscal Year 2018 for programs within the Department Labor, the Department of Health and Human Services, Department of Education, and other related agencies.
2. OMB Memorandum M-17-22, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce* (April 12, 2017).

## Management Challenge 3: Enhancement to Program Compliance

### Why This Is a Challenge

Currently, AbilityOne providers are assessed by the Commission's Oversight and Compliance Office (Office) to ensure program qualification requirements are met pursuant to Title 41 CFR 51-4. Conducting reviews for over 500 nonprofit agencies (NPAs) with more than 46,000 employees, the Office is tasked with providing assurance that the CNAs and NPAs are adhering to all of the Program's legal and regulatory requirements.

By reviewing annual NPA certifications and conducting onsite inspections, the Office staff provides program accountability. Inspections involve the review of company health and safety standards, direct labor hour ratios, and compliance. Currently, the resources for this directorate include four (4) staff who are responsible for issuing policy guidance, conducting inspections, reviewing annual certifications and conducting training for NPAs participating in the AbilityOne Program. Due to budget constraints and increasing responsibilities, the Office may be unable to meet its assurance goals without additional resources.

### Progress In Addressing The Challenge

The Commission's Oversight and Compliance Office has made notable advancements, including enhancements to its structure and procedures. For example, it hired a new director, implemented virtual NPA documentation assessments, and placed additional emphasis on streamlining the compliance and standardization processes. Further, the importance of training and robust communication is being reiterated to Program participants. However, without the development and use of a risk-based model to help inform compliance efforts, it will be difficult to ensure that the already scarce resources are being used in the most efficient and effective manner.

### What Needs To Be Done

The Commission should develop a risk-based management approach for deploying resources devoted to program compliance and continued improvement processes, standardize training, and implement an automated documentation system. Because each NPA is different, the Office should begin to seek ways to implement a risk-based compliance approach based on quantifiable or identifiable factors such as contract volume, dollar value, and product or service risk profile.

### Key Resources

1. 41 U.S.C. §8501-8506, Javits-Wagner-O'Day (JWOD) Act.
2. 41 CFR Chapter 51, Committee for Purchase From People Who Are Blind or Severely Disabled.
3. House Committee Appropriations Report 115-224 at 133, accompanying the Funding Bill for Fiscal Year 2018 for programs within the Department Labor, the Department of Health and Human Services, Department of Education, and other related agencies.
4. National Defense Authorization Act for Fiscal Year 2017, Title VIII – Acquisition Policy, Acquisition Management, and Related Matters.

## Management Challenge 4: Establish an Enterprise-wide Risk Management Framework

### Why This Is a Challenge

Currently, the Commission does not have a formal, enterprise-wide framework to identify, analyze, and manage risk. In July 2016, the Office of Management and Budget (OMB) issued an update to OMB Circular A-123 requiring federal agencies to implement Enterprise Risk Management (ERM) procedures so executives can ensure the achievement of agency strategic objectives. Like other agencies, the Commission is required to align ERM processes with its goals and objectives and communicate and report on each of the identified risk areas. Presently, the Commission has limited ability to identify and respond to critical issues or address unbalanced statutory requirements.

### Progress In Addressing The Challenge

While the Commission does not have a formal ERM process in place, it has addressed specific program risks through its implementation of the provision contained in the Consolidated Appropriations Act of FY 2016, which required the establishment of written agreements with CNAs to improve program accountability and decrease risk.

### What Needs To Be Done

The Commission needs to implement the ERM development and implementation requirements included in OMB Circular No. A-123. While OMB recognizes that not all components of an ERM process are fully operational in the initial years, Agency leadership must set priorities in terms of implementation consistently with the OMB-required policy changes.

### Key Resources

1. Office of Management and Budget (OMB) Memorandum M-16-17 for Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).
2. House Committee Appropriations Report 115-224 at 133, accompanying the Funding Bill for Fiscal Year 2018 for programs within the Department Labor, the Department of Health and Human Services, Department of Education, and other related agencies.



## **Appendix II**

### **Financial Statements and Independent Auditor's Report**

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## **Financial Statements and Independent Auditor's Report**

**Committee for Purchase from People who are  
Blind or Severely Disabled – U. S. Ability One  
Commission**



**For the Years Ended  
September 30, 2017  
and 2016**



Committee for Purchase from People Who Are Blind or Severely Disabled  
U.S. Ability One Commission  
General Fund  
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September 30, 2017 and 2016

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Independent Auditor's Report

## Independent Auditor's Report

To the Committee Members and Executive Director  
Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission

### Report on the Financial Statements

We have audited the accompanying Consolidated Balance Sheet of the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission as of September 30, 2017 and 2016, and the related Statement of Net Cost, Changes in Net Position and Combined Statement of Budgetary Resources for the year then ended (hereinafter referred to as financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements to ensure they are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 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 express no such 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.

### Opinion

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission as of September 30, 2017, and the related statements of net costs, changes in net position and budgetary resources for the year then ended, in conformity with U.S. generally accepted accounting principles.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 17-03, we have also issued our report dated November 16, 2017 on our consideration of the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and other matters that are required to be reported under *Government Auditing Standards*. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission’s internal control over financial reporting and compliance, and should be read in conjunction with this report in considering the results of our audit.

*Davis & Associates*

Columbia, Maryland  
November 16, 2017





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

**BALANCE SHEET**

As Of September 30, 2017 and 2016

		2017	2016
<b>Assets:</b>			
<b>Intragovernmental:</b>			
Fund Balance With Treasury	(Note 2)	\$ 2,694,839.62	\$ 1,685,271.99
<b>Total Intragovernmental</b>		<b>2,694,839.62</b>	<b>1,685,271.99</b>
<b>Assets With The Public:</b>			
Accounts Receivable, net	(Note 3)	12,993.49	8,945.04
General Property, Plant and Equipment, Net	(Note 4)	25,769.78	37,102.24
<b>Total Assets</b>		<b>\$ 2,733,602.89</b>	<b>\$ 1,731,319.27</b>
<b>Liabilities:</b>	(Note 5)		
<b>Intragovernmental:</b>			
Accounts Payable			6,104.80
<b>Other:</b>	(Note 6)		
Employer Contributions and Payroll Taxes Payable		37,652.00	29,423.08
<b>Total Intragovernmental</b>		<b>37,652.00</b>	<b>35,527.88</b>
<b>Liabilities With the Public:</b>			
Accounts Payable		166,672.36	72,546.27
<b>Other:</b>	(Note 6)		
Accrued Funded Payroll and Leave		152,576.00	141,808.48
Employer Contributions and Payroll Taxes Payable		5,338.39	3,971.70
Unfunded Leave	(Note 12)	337,952.52	297,165.38
<b>Total Liabilities</b>		<b>\$ 700,191.27</b>	<b>\$ 551,019.71</b>
<b>Net Position:</b>			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		2,332,600.87	1,431,417.66
Cumulative Results of Operations - All Other Funds		(299,189.25)	(251,118.10)
<b>Total Net Position - All Other Funds (Consolidated)</b>		<b>2,033,411.62</b>	<b>1,180,299.56</b>
<b>Total Net Position</b>		<b>\$ 2,033,411.62</b>	<b>\$ 1,180,299.56</b>
<b>Total Liabilities and Net Position</b>		<b>\$ 2,733,602.89</b>	<b>\$ 1,731,319.27</b>

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, 2017 and 2016

		2017	2016
		<hr/>	<hr/>
<b>Program Costs:</b>			
<b>ABILITY ONE:</b>			
Gross Costs		\$ 7,361,973.53	\$ 5,613,906.42
Net Program Costs	(Note 8)	<u>7,361,973.53</u>	<u>5,613,906.42</u>
<b>Net Cost of Operations</b>	(Note 12)	<u>\$ 7,361,973.53</u>	<u>\$ 5,613,906.42</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 CHANGES IN NET POSITION  
As Of And For The Years Ended September 30, 2017 and 2016**

	FY 2017 (CY)
	<u>Consolidated Total</u>
<b>Cumulative Results from Operations:</b>	
Beginning Balances	\$ (251,118.10)
<b>Budgetary Financing Sources:</b>	
Appropriations used	7,087,444.46
<b>Other Financing Sources (Non-Exchange):</b>	
Imputed financing	226,457.92
Total Financing Sources	7,313,902.38
Net Cost of Operations	7,361,973.53
Net Change	<u>(48,071.15)</u>
<b>Cumulative Results of Operations</b>	<u><u>\$ (299,189.25)</u></u>
<b>Unexpended Appropriations:</b>	
Beginning Balance	1,431,417.66
<b>Budgetary Financing Sources:</b>	
Appropriations received	8,000,000.00
Other adjustments	(11,372.33)
Appropriations used	<u>(7,087,444.46)</u>
Total Budgetary Financing Sources	<u>901,183.21</u>
Total Unexpended Appropriations	<u>2,332,600.87</u>
Net Position	<u><u>\$ 2,033,411.62</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 CHANGES IN NET POSITION  
As Of And For The Years Ended September 30, 2017 and 2016**

FY 2016 (PY)

	<u>Consolidated Total</u>
<b>Cumulative Results from Operations:</b>	
Beginning Balances	\$ (188,494.28)
<b>Budgetary Financing Sources:</b>	
Appropriations used	5,284,696.32
<b>Other Financing Sources (Non-Exchange):</b>	
Imputed financing	266,586.28
Total Financing Sources	5,551,282.60
Net Cost of Operations	5,613,906.42
Net Change	(62,623.82)
<b>Cumulative Results of Operations</b>	<b>\$ (251,118.10)</b>
<b>Unexpended Appropriations:</b>	
Beginning Balance	539,515.20
<b>Budgetary Financing Sources:</b>	
Appropriations received	6,191,000.00
Other adjustments	(14,401.22)
Appropriations used	(5,284,696.32)
Total Budgetary Financing Sources	891,902.46
Total Unexpended Appropriations	1,431,417.66
Net Position	<b>\$ 1,180,299.56</b>

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, 2017 and 2016

	2017 Budgetary	2016 Budgetary
<b>BUDGETARY RESOURCES</b>		
Unobligated balance brought forward, Oct 1	\$ 264,720.14	\$ 104,102.16
Recoveries of prior year unpaid obligations	85,948.97	1,625.00
Other changes in unobligated balances	171,394.83	(11,095.24)
Unobligated balance from prior year budget authority, net	522,063.94	94,631.92
Appropriations (discretionary and mandatory)	8,000,000.00	6,191,000.00
<b>Total budgetary resources</b>	<b>\$ 8,522,063.94</b>	<b>\$ 6,285,631.92</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
New obligations and upward adjustments (total)	(Note 9) \$ 8,157,981.92	\$ 6,020,911.78
Unobligated balance, end of year:		
Apportioned, unexpired account	164,292.75	197,813.20
Unexpired unobligated balance, end of year	164,292.75	197,813.20
Expired unobligated balance, end of year	199,789.27	66,906.94
Unobligated balance, end of year (total)	364,082.02	264,720.14
<b>Total budgetary resources</b>	<b>\$ 8,522,063.94</b>	<b>\$ 6,285,631.92</b>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Unpaid Obligations:		
Unpaid obligations, brought forward, Oct 1	\$ 1,420,551.85	\$ 587,752.47
New obligations and upward adjustments	8,157,981.92	6,020,911.78
Outlays (gross) (-)	(7,161,827.20)	(5,186,487.40)
Recoveries of prior year unpaid obligations (-)	(85,948.97)	(1,625.00)
Unpaid obligations, end of year	2,330,757.60	1,420,551.85
Memorandum (non-add) entries		
Obligated balance, start of year (+ or -)	1,420,551.85	587,752.47
Obligated balance, end of year (+ or -)	\$ 2,330,757.60	\$ 1,420,551.85
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	\$ 8,000,000.00	\$ 6,191,000.00
Actual offsetting collections (discretionary and mandatory) (-)	(182,767.16)	(3,305.98)
Recoveries of prior year paid obligations (discretionary and mandatory)	182,767.16	3,305.98
Budget Authority, net (discretionary and mandatory)	8,000,000.00	6,191,000.00
Outlays, gross (discretionary and mandatory)	7,161,827.20	5,186,487.40
Actual offsetting collections (discretionary and mandatory) (-)	(182,767.16)	(3,305.98)
Outlays, net (total) (discretionary and mandatory)	6,979,060.04	5,183,181.42
Agency outlays, net (discretionary and mandatory)	\$ 6,979,060.04	\$ 5,183,181.42

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Committee for Purchase from People Who Are Blind or Severely Disabled  
U.S. Ability One Commission  
General Fund  
Notes to the Financial Statements  
September 30, 2017 and 2016

**NOTE 1 – Significant Accounting Policies**

*Reporting Entity*

The Committee for Purchase from People who are Blind or Severely Disabled (referred to hereafter as “the Committee”) 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, 2017, 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 and as such receives appropriations. Other financing sources for the Committee consist of imputed financing sources that 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.



Committee for Purchase from People Who Are Blind or Severely Disabled  
U.S. Ability One Commission  
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Notes to the Financial Statements  
September 30, 2017 and 2016

**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 2013, FY 2014, FY 2015, FY 2016, and FY 2017). The annual fund for FY 2012 is cancelled and the remaining fund balance of \$11,372.33 is given back to US Treasury during fiscal year 2017.

	<u>2017</u>	<u>2016</u>
A. Fund Balance with Treasury		
General Fund	<u>\$2,694,839.62</u>	<u>\$1,685,271.99</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	164,292.75	197,813.20
b) Unavailable	199,789.27	66,906.94
2) Obligated Balance not yet Disbursed	<u>2,330,757.60</u>	<u>1,420,551.85</u>
Total	<u>\$2,694,839.62</u>	<u>\$1,685,271.99</u>

**NOTE 3 – Accounts Receivable, Net**

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees. The direct write-off method is used for uncollectible receivables. The Committee has historically collected receivables due and thus has not established an allowance for uncollectible accounts.

	<u>2017</u>	<u>2016</u>
Accounts Receivable - With the Public	\$12,993.49	\$8,945.04

**NOTE 4 – General, Property, Plant and Equipment, Net (PPE)**

As of September 30, 2017, the Committee showed Leasehold Improvements with a total cost of \$258,074.37 and a net book value of zero. 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 \$25,769.78. The Accumulated Depreciation to date was \$87,531.93. The depreciation calculation method used was Straight Line with a useful life applicable to the type of asset (Equipment, Furniture, Motor Vehicles, and Internal Use Software at 5 years; and Leasehold Improvements at 7 years or the remainder of the lease). The Committee capitalizes PPE individually costing more than \$10,000 (\$25,000 for leasehold improvements and software in development). Bulk purchases of lesser value items are capitalized when the cost is \$100,000 or greater.

Committee for Purchase from People Who Are Blind or Severely Disabled  
U.S. Ability One Commission  
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Notes to the Financial Statements  
September 30, 2017 and 2016

**NOTE 4 – General, Property, Plant and Equipment, Net (PPE) - *Continued***

<u>2017</u>	<u>Equipment</u>	<u>Leasehold</u>	<u>Total</u>
Cost	\$113,301.71	258,074.37	\$371,376.08
Accum. Depr.	<u>(\$87,531.93)</u>	<u>(258,074.37)</u>	<u>(\$345,606.30)</u>
Net Book Value	<u>\$25,769.78</u>	<u>-</u>	<u>\$25,769.78</u>
<u>2016</u>	<u>Equipment</u>	<u>Leasehold</u>	<u>Total</u>
Cost	\$113,301.71	258,074.37	\$371,376.08
Accum. Depr.	<u>(\$76,199.47)</u>	<u>(258,074.37)</u>	<u>(\$334,273.84)</u>
Net Book Value	<u>\$37,102.24</u>	<u>-</u>	<u>\$37,102.24</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, 2017, the Committee showed liabilities covered by budgetary resources of \$362,238.75 and liabilities not covered by budgetary resources of \$337,952.52.

	<u>2017</u>	<u>2016</u>
Intragovernmental		
Accounts Payable	\$ -	\$ 6,104.80
Employer Contributions & Payroll Taxes Payable	<u>37,652.00</u>	<u>29,423.08</u>
Total Intragovernmental	\$ 37,652.00	\$ 35,527.88
With the Public		
Accounts Payable	\$ 166,672.36	\$ 72,546.27
Accrued Funded Payroll & Leave	152,576.00	141,808.48
Employer Contributions & Payroll Taxes	5,338.39	3,971.70
Unfunded Leave	<u>337,952.52</u>	<u>297,165.38</u>
Total With the Public	\$ <u>662,539.27</u>	\$ <u>515,491.83</u>
Total Liabilities	\$ <u>700,191.27</u>	\$ <u>551,019.71</u>
Total liabilities not covered by budgetary resources	\$ 337,952.52	\$ 297,165.38
Total liabilities covered by budgetary resources	<u>362,238.75</u>	<u>253,854.33</u>
Total Liabilities	\$ <u>700,191.27</u>	\$ <u>551,019.71</u>

**NOTE 6 – Other Liabilities**

Other liabilities with the public for the year ended September 30, 2017 and 2016 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable.

Committee for Purchase from People Who Are Blind or Severely Disabled  
U.S. Ability One Commission  
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Notes to the Financial Statements  
September 30, 2017 and 2016

**NOTE 6 – Other Liabilities - *Continued***

FY 2017	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	-	37,652.00	37,652.00
Total Intragovernmental	-	37,652.00	37,652.00
Liabilities with the Public			
Accrued Funded Payroll & Leave	-	152,576.00	152,576.00
Employer Contributions and Payroll Taxes Payable	-	5,338.39	5,338.39
Unfunded Leave	337,952.52	-	337,952.52
Total Liabilities with the Public	337,952.52	157,914.39	495,866.91
Total Other Liabilities	337,952.52	195,566.39	533,518.91
FY 2016	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	-	29,423.08	29,423.08
Total Intragovernmental	-	29,423.08	29,423.08
Liabilities with the Public			
Accrued Funded Payroll & Leave	-	141,808.48	141,808.48
Employer Contributions and Payroll Taxes Payable	-	3,971.70	3,971.70
Unfunded Leave	297,165.38	-	297,165.38
Total Liabilities with the Public	297,165.38	145,780.18	442,945.56
Total Other Liabilities	297,165.38	175,203.26	472,368.64

**NOTE 7 – Leases**

The Committee occupies office space under a lease agreement that is accounted for as an operating lease. The Committee moved office locations in November 2013, significantly reducing office space rent costs. The current office lease term began on October 1, 2013 and expired on October 31, 2017. Lease payments are increased annually based on the Committee’s proportionate share of the building’s operating expenses and real estate taxes. The total operating lease expenses as of September 30, 2016 and 2015 were \$265,500 and \$218,401, respectively.

Committee for Purchase from People Who Are Blind or Severely Disabled  
 U.S. Ability One Commission  
 General Fund  
 Notes to the Financial Statements  
 September 30, 2017 and 2016

**NOTE 7 – Leases - *Continued***

Below is a schedule of estimated future payments for the term of the lease.

Fiscal Year	Office Space Cost Estimates
2017	\$226,720
2018 (current lease expired 10/31/2017)	\$16,100
<b>Total future payments</b>	<b>\$242,820</b>

**NOTE 8 – Intragovernmental Costs and Exchange Revenue**

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

	Total 2017	Total 2016
Program A		
Intragovernmental costs	\$3,095,103.27	\$1,937,180.21
Public costs	\$4,266,870.26	\$3,676,726.21
Total Program A costs	\$7,361,973.53	\$5,613,906.42
Total Program A	\$7,361,973.53	\$5,613,906.42

**NOTE 9 – Apportionment Categories of New Obligations and Upward Adjustments: Direct Vs. Reimbursable Obligations**

All obligations for the Committee in fiscal year 2017 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 2016 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132.

	<u>2017</u>	<u>2016</u>
Direct		
Category B	\$8,157,981.92	\$6,020,911.78

**NOTE 10 – Undelivered Orders at End of the Period**

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

\$1,968,518.85 was the amount of the Committee’s budgetary resources obligated for undelivered orders as of September 30, 2017.

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**NOTE 10 – Undelivered Orders at End of the Period - *Continued***

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2017	1,968,518.85	-	\$1,968,518.85
2016	1,166,697.52	-	\$1,166,697.52

**NOTE 11 – Explanation of Differences between the SBR and the Budget of the US Government**

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2017 actual budgetary execution information is scheduled for publication in February 2018, which will be available through OMB’s website at <http://www.whitehouse.gov/omb>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2016 SBR and the related President’s Budget reflected the following:

FY2016	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$6,285,631.92	\$6,020,911.78	-	\$5,183,181.42
<i>Budget of the U.S. Government</i>	6,000,000.00	6,000,000.00	-	\$5,000,000.00
<b>Difference</b>	<b>\$285,631.92</b>	<b>\$20,911.78</b>	-	<b>\$183,181.42</b>

The difference between the Statement of Budgetary Resources and the Budget for budgetary resources, obligations incurred and net outlays is primarily due to rounding. A portion of the difference in the budgetary resources is due to expired unobligated balances being reported in the Statement of Budgetary Resources but not in the Budget.

**NOTE 12 – Reconciliation of Net Cost of Operations to Budget**

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).

	<u>2017</u>	<u>2016</u>
Liabilities not covered by budgetary resources	337,952.52	297,165.38
Change in components requiring/generating resources	40,787.14	(50,847.00)

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**NOTE 12 – Reconciliation of Net Cost of Operations to Budget - *Continued***

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.

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 but 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)):

	2017	2016
Budgetary Resources Obligated	\$ 8,157,981.92	\$ 6,020,911.78
Spending Authority from Recoveries and Offsetting Collections	(268,716.13)	(4,930.98)
Imputed Financing from Costs Absorbed by Others	226,457.92	266,586.28
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(801,821.33)	(731,284.48)
Resources that Finance the Acquisition of Assets	(4,048.45)	413.31
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	40,787.14	50,847.00
Components Not Requiring or Generating Resources	11,332.46	11,363.51
Net Cost of Operations	\$ 7,361,973.53	\$ 5,613,906.42

**NOTE 13 – Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 16, 2016, which is the date the financial statements were available to be issued.

Independent Auditor's Report on Internal Control

## **Independent Auditor's Report on Internal Control**

To the Committee Members and Executive Director  
Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission

We have audited the accompanying Consolidated Balance Sheet of the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission as of September 30, 2017 and 2016, and have issued our report thereon dated November 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not test all internal controls relevant to operating objectives as broadly defined in the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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 control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur undetected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In our fiscal year 2017 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



This report is intended solely for the information and use of the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission’s management, OMB, the Governmental Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Davis & Associates*

Columbia, Maryland  
November 16, 2017

Independent Auditor's Report on Compliance

## **Independent Auditor's Report on Compliance with Laws and Regulations**

To the Committee Members and Executive Director  
Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission

We have audited the accompanying Consolidated Balance Sheet of the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission as of September 30, 2017 and 2016, and have issued our report thereon dated November 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

The Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission's management is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance about whether the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission's financial statements are free of material misstatements, we performed tests of management's compliance with certain laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts, and other particular laws and regulations specified in OMB Bulletin 17-03, including those requirements referred to in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission.

Our tests of compliance with selected provisions of laws and regulations for fiscal year 2017 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission's management, OMB, the Governmental Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

***Davis & Associates***

Columbia, Maryland  
November 16, 2017