

U.S. ABILITYONE COMMISSION

FISCAL YEAR 2016 PERFORMANCE AND ACCOUNTABILITY REPORT (PAR)



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

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



TABLE OF CONTENTS

Section 1: Agency and Mission Information	2
1.1 Overview	2
1.2 Mission Statement	3
1.3 Vision Statement	3
1.4 Organizational Structure.....	3
1.5 Commission Members.....	5
1.6 Commission Staff Organization	6
1.7 Office of Inspector General	7
1.8 Commission Meetings	7
1.9 Scope of Responsibilities	7
Section 2: Performance – Strategic Goals, Objectives, Updates, Next Steps.....	9
2.1 Strategic Goals Overview.....	9
2.2 Effective Stewardship.....	10
2.3 Employee and Customer Satisfaction.....	11
2.4 Employment Growth	14
2.5 Business Excellence	17
Section 3: Other Information	19
3.1 Major Management Priorities, Challenges and Risks	19
3.2 Cross-Agency Collaborations.....	20
3.3 Evidence Building (Research and Evaluation).....	20
3.4 Data Validation and Verification	21
3.5 Lower Priority Program Activities	21
Section 4: Financial Information Including Audit Report	22

Section 1: Agency Mission and Information

1.1. Overview

The U.S. AbilityOne Commission (hereafter Commission) is an independent Executive Branch entity established as the Committee for Purchase From People Who Are Blind or Severely Disabled under the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506). The statute authorizes the Commission to guide and oversee an employment program for people who are blind or have significant disabilities, known as the AbilityOne Program.

The program currently provides job opportunities to more than 47,000 Americans in this typically underemployed segment of the nation's population.¹ Through AbilityOne, employees build skills and earn income, often reducing their dependence on disability benefits programs. At the same time, Federal customers of the AbilityOne Program receive quality products and services, on time, at reasonable prices.

The Commission actively promotes the capabilities of people who are blind or have significant disabilities, and directly generates and sustains employment through the addition of products and services to the AbilityOne Procurement List. Two Central Nonprofit Agencies (CNAs) – National Industries for the Blind (NIB) and SourceAmerica (serving people with a wide range of significant disabilities) – are designated by the Commission to provide technical and financial assistance to nonprofit agencies (NPAs) participating in the AbilityOne Program. A national network of participating NPAs employing individuals who are blind or have significant disabilities engages in AbilityOne work in all 50 states, Puerto Rico and Guam, numbering 549 nonprofit employment providers at the end of FY 2016. The AbilityOne Program is a significant employer of wounded warriors and other veterans with significant disabilities, offering jobs that leverage veterans' skills and enable them to live in the communities they call home.

FY 2016 was a landmark year for both the Commission and the AbilityOne Program. The Commission increased its emphasis on performance, accountability and transparency through the establishment of its first-ever Cooperative Agreements governing the relationship with, and performance of, the two CNAs. The Cooperative Agreements define roles and responsibilities, identify key performance indicators, articulate quality standards and evaluate CNA performance.

In addition, an independent Office of Inspector General (OIG) was established in FY 2016. The OIG's infrastructure is now being built to allow for audits and investigations of the efficiency and effectiveness of the AbilityOne Program as well as its \$3.2 billion in Federal contracts.

The Commission respectfully submits this FY 2016 Performance and Accountability Report (PAR) in accordance with OMB Circular A-11 Part 6 Section 260 (2016).

¹Only 30 percent of working age adults with significant disabilities participate in the nation's labor force according to the U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release, Persons with a Disability: Labor Force Characteristics, Table A, June 21, 2016 [retrieved November 15, 2016 from <http://www.bls.gov/news.release/disabl.a.htm>].

1.2. Mission Statement

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

1.3. Vision Statement

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

This 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 person employed through the AbilityOne Program 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.
- ◆ People employed through the AbilityOne are provided the training and development they need to be successful in their current positions, and ultimately achieve their maximum employment potential.
- ◆ Every person employed through the AbilityOne Program is provided the opportunity, with or without accommodations, to advance to his or her maximum employment potential, including internal or external competitive placement or management and administrative positions.
- ◆ All AbilityOne products and services provide best value to Federal customers, thus earning their continued support and loyalty.

1.4. Organizational Structure

The Commission is comprised of 15 Presidential appointees by law, and had a full-time staff of 26 at the end of FY 2016. In accordance with the enabling legislation, a unique public-private structure is in place to administer and support the AbilityOne Program. The Act directs the Commission to designate one or more CNAs to assist it in implementing the AbilityOne Program. The Commission has designated NIB and SourceAmerica to fulfill this role. NIB and SourceAmerica assist nearly 550 private nonprofit and/or State agencies that participate in the AbilityOne Program; the CNAs also provide support to the program's Federal customers. AbilityOne-authorized NPAs deliver quality supplies and services to Federal customers, thereby creating employment for the target population.

The AbilityOne Program organization structure is illustrated below.

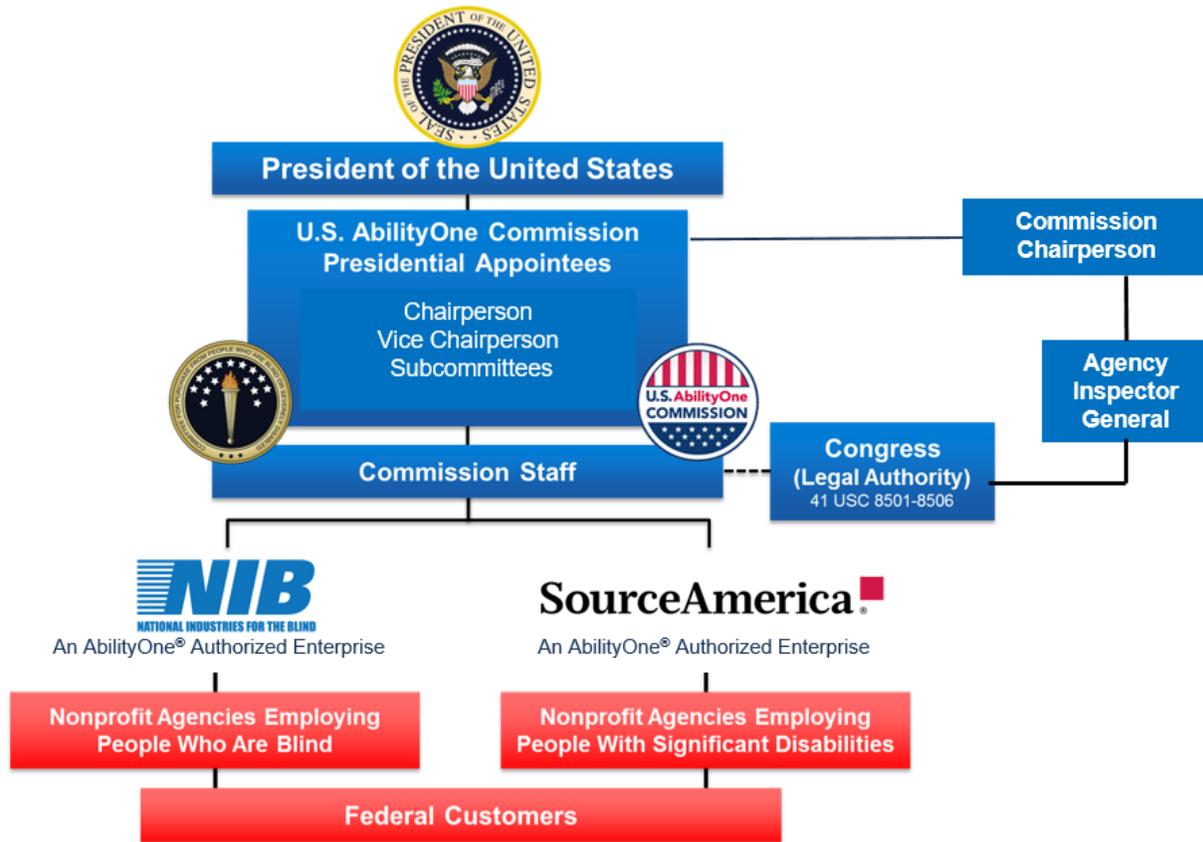


Figure 1. AbilityOne Program Fiscal Year 2016 Organizational Structure.

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

In FY 2016, the Commission re-elected James M. Kesteloot, a private citizen from Chicago, Illinois, representing the employment concerns of NPA employees who are blind, to serve as its Chairperson. The Commission re-elected Lisa M. Wilusz, who represents the U.S. Department of Agriculture, to serve as Vice Chairperson. A full list of Presidential appointees serving on the U.S. AbilityOne Commission at the end of FY 2016 follows.

1.5. U.S. AbilityOne Commission Members as of September 30, 2016

James M. Kesteloot, *Chairperson*

Representing Nonprofit Agency Employees who are Blind
Private Citizen

Lisa M. Wilusz, *Vice Chairperson*

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

Perry E. Anthony, Ph.D.

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

Jan R. Frye

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

Harry P. Hallock

Deputy Assistant Secretary of the Army (Procurement)
U.S. Department of the Army

Robert T. Kelly, Jr.

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

Director, DLA Finance/CFO
Defense Logistics Agency

Thomas D. Robinson

Director of Contracting, Air Force Life Cycle Management Center, Wright-Patterson AFB
U.S. Department of the Air Force

Jennifer Sheehy

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

William A. Sisk

Deputy Commissioner, Federal Acquisition Service
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
U.S. Department of the Navy

The Commission had two vacant positions at the end of FY 2016: *U.S. Department of Justice* and *Private Citizen* representing nonprofit agency employees who have significant disabilities.

1.6. U.S. AbilityOne Commission Staff as of September 30, 2016

A career member of the Senior Executive Service serves as the Commission’s chief executive officer and leads the full-time civil service staff in carrying out strategic as well as routine business of the Agency. The staff handles all day-to-day AbilityOne-related business and prepares the information required by the Commission appointees for decision making. There were 26 FTEs on staff at the end of FY 2016; senior leaders are listed below.

Executive Team:

Tina Ballard, Executive Director
Kimberly M. Zeich, Deputy Executive Director
Michael J. Rogers, Chief of Staff
Brian P. Hoey, Ph.D., Senior Advisor

Office of the General Counsel:

Timi Nickerson Kenealy, General Counsel
John Konst, Assistant General Counsel

Oversight and Compliance Senior Leader:

Amy B. Jensen, Director, Oversight and Compliance

Business Operations Senior Leaders:

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

Policy and Programs Senior Leader:

Nancy K. Myrick, Director, Policy and Programs

Information Technology:

Edward Yang, Chief Information Officer

1.7. Office of Inspector General

As mandated by the Consolidated Appropriations Act, 2016, an independent Office of Inspector General (OIG) was established during FY 2016. The OIG reports directly to the Commission Chairperson and to Congress, and will publish semi-annual reports of activities and results. At the end of FY 2016, the OIG's senior leaders were:

Eugene Quinn, Jr., Assistant IG for Investigations (Acting Inspector General)
Marcos Contreras, Assistant IG for Audits

1.8 Commission Meetings

The Commission held four official meetings during FY 2016, as follows:

February 11, 2016
April 26, 2016
July 14, 2016
September 15, 2016

1.9. Scope of Responsibilities

In accordance with the JWOD Act (41 U.S.C. §§ 8501-8506), the Commission is responsible for administering a national employment program known as the AbilityOne Program, for people who are blind or have significant disabilities. The Commission leverages the purchasing power of the Federal Government, by directing the procurement of products and services that employ this population. More than 47,000 individuals who are blind or have significant disabilities have achieved employment through AbilityOne, at 549 community-based NPAs nationwide. These individuals worked more than 46 million hours in FY 2015, and earned nearly \$590 million, plus fringe benefits. FY 2016 year end data will be reconciled and available in early CY 2017.

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

- Establishing rules, regulations and policies to assure effective implementation and oversight of the JWOD Act and the AbilityOne Program it authorizes.
- Increasing employment opportunities for people who are blind or have significant disabilities – quite simply, job creation.
- Determining which products and services are suitable for provision by NPAs employing people who are blind or have significant disabilities, and placing them on the AbilityOne Procurement List for Federal agencies' utilization.
- Determining fair market prices for the products and services delivered by the AbilityOne Program, and revising prices over time in accordance with changing market conditions.

- Monitoring participating NPAs' compliance with the JWOD Act, applicable regulations and procedures.
- Assisting Federal agencies to expand procurement from NPAs participating in the AbilityOne Program, and monitoring the compliance of both with Commission regulations and procedures.
- Designating CNAs and providing guidance to them that facilitates NPAs' participation in the AbilityOne Program.
- Conducting continuing study and evaluation of mission execution to ensure effective and efficient administration of the Act.

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

2.1. Strategic Goals Overview

Four overarching strategic goals are pursued by the Commission and key AbilityOne Program stakeholders for the performance period FY 2014-2017. These goals pertain to all participants in the AbilityOne Program and are the cornerstones supporting mission execution and performance excellence. While the Commission is responsible for the direction and oversight of the Program, and monitors implementation of the Strategic Plan, the CNAs and AbilityOne-participating NPAs are critical partners in achievement of the strategic goals.

Goal 1. Effective Stewardship

The Commission has the ultimate responsibility for the integrity, effectiveness and overall stewardship of the AbilityOne Program. Stewardship encompasses several oversight responsibilities related to monitoring and achieving compliance with statutory, regulatory and other requirements by all NPAs participating in the AbilityOne Program. Beginning in FY 2016, the Commission also practices effective program stewardship through its Cooperative Agreements with the CNAs. Stewardship also 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 47,000 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 our target population desires to work and receive training.

Goal 4. Business Excellence

As the Agency responsible for the effective administration of the AbilityOne Program, the Commission must execute several business processes directly linked to key stakeholders and the employment mission. Three primary business processes that require attention, resources and coordination across agencies are (1) the Procurement List (PL) addition end-to-end process, (2) the fair market pricing (FMP) end-to-end process and (3) the Program fee ceiling determination and utilization.

2.2. Effective Stewardship Strategic Goal

The Commission is responsible for the implementation of the JWOD Act and oversight of the AbilityOne Program. Historically, the Commission’s stewardship goal has been focused on participating NPAs’ compliance with all statutory, regulatory and other unique AbilityOne requirements. Such NPA compliance remains an essential function of the Commission’s oversight and stewardship. At the same time, AbilityOne Program oversight and accountability related to the CNAs is now a focal point and is pursued through the Cooperative Agreements established in FY 2016. Going forward for the FY 2017 reporting cycle and beyond, the Commission will include the metrics, targets and outcomes pertaining to CNA performance under the Cooperative Agreements.

Strategic Objective 2.2.1.

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

The Commission expects all AbilityOne NPAs to comply with its statutory and regulatory requirements in order 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. The consequences of noncompliance include NPAs being required to make in-person reports to the Commission, NPAs being placed on probation, suspension from consideration for AbilityOne work opportunities and/or removal of eligibility for Program participation. Determining NPA compliance is an inherently governmental duty that is performed solely by the Commission through on-site audits and agencies’ annual reports containing certified data. The CNAs are responsible for providing education, regulatory assistance, monitoring and reporting.

The first measure of this objective has a very clear performance indicator, which is the number and percentage of 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. The most recent year-end data available is from FY 2015, and shows that 21 NPAs were out of compliance with the direct labor hour ratio requirements. This represents 96% of the total 549 NPAs participating in the program.

	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Results
Nonprofits in Compliance	582/606	575/598	552/579	541/565	528/549
Percentage (Target 100%)	96.04%	96.15%	95.34%	95.75%	96.17%

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

The Commission analyzed the reasons for the NPAs’ failure to comply with the direct labor hour ratio requirement in FY 2015, and found that the most frequent occurrences were related to surges in production demands, 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.

The Commission also monitored the percentage of deficiencies corrected either during or after its compliance reviews. To remain in the AbilityOne Program, the Commission required all NPAs that were out of compliance 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, two NPAs were required to appear before the Commission during FY 2016, to explain the circumstances that resulted in their noncompliance, and to explain how they will achieve full compliance. While the majority of NPAs either completed or were in the process of completing corrective action, one NPA was removed from the program in FY 2016 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 2015, 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. In FY 2017, more rigorous compliance inspections will be made by the Commission staff in accordance with new procedures.

During the compliance transformation, 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. In FY 2016, the training had a specific focus area, as well. The Commission launched a new, more robust form of NPA certification: Annual Representations and Certifications ("Reps and Certs"), and trained NPAs on the requirements of the new certification forms. The Annual Reps and Certs increase the Commission's visibility into additional regulatory and contract compliance areas, and require NPAs to explain any deviations in writing. The entire Reps and Certs document must be signed by the NPA's CEO and Board Chairperson, and is subject to the False Claims Act.

2.3. Employee and Customer Satisfaction Goal

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. As many studies have shown that employee satisfaction is a prerequisite to providing outstanding customer service, 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 Commission and its CNAs began with the baseline employee satisfaction level established in 2010, showing an overall AbilityOne Program employee satisfaction rating of **85%**, compared to the 68% industry benchmark level.² The AbilityOne Program's Quality Work Environment (QWE) initiative (discussed below) was designed and launched in 2010 to enhance the experience and satisfaction of program employees. In 2013, employee satisfaction was again measured, with AbilityOne participants reporting an increased level of overall job satisfaction level, up to **86.5%**, compared to the U.S. National Norm of 70%.³ The most recent triennial survey of AbilityOne employees took place in 2016. Those results are being tabulated and are expected to be available early in calendar year 2017. The Commission will monitor those results closely for any changes in the employee satisfaction level.

Completing 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. Several best practices disseminated through the QWE initiative correlate positively with elements of job satisfaction most desired by AbilityOne employees, according to the 2013 employee survey. These elements of job satisfaction include employee involvement, training and development, and employee benefits.

The Commission established an end goal for 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 just below 80% of employees working on AbilityOne contracts at the end of FY 2016. Reaching the final 20% of AbilityOne employees will require a high adoption rate among the remaining, smaller NPAs to move the needle. This will be facilitated by an increase in CNA facilitation visits, and the expectation that "flow-through" Cooperative Agreements between the CNAs and participating NPAs will include their commitment to QWE participation.

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

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

The following table shows the QWE participation scorecard as of September 30, 2016. The participation level was essentially flat over the last two years. This is attributed to some previous QWE participants leaving the AbilityOne Program, at a rate similar to the new adoption rate. Surveys conducted in FY 2016 indicate some pent-up demand among NPAs to begin their QWE self-assessments, which the CNAs will meet with additional resources. The Commission is optimistic that a net increase will be seen by the end of FY 2017. Further, as the flow-through agreements are reached between the CNAs and the NPAs, there will be a formal requirement for all NPAs to participate in QWE.

	AbilityOne Employees 9/30/2014	AbilityOne Employees 9/30/2016
Completed Self-Assessment	74%	78%
Developed Action Plan	68%	68%
Implementing Action Plan	65%	67%
Completed 1 st Round/ Working 2 nd or 3 rd Round	29%	24%

Table 2. AbilityOne QWE Participation through September 30, 2016.

Strategic Objective 2.3.2.

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

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

During 2013, the Commission and its CNAs pilot tested and implemented an end-user survey through the support of the Federal Acquisition Institute (FAI). As it can be difficult to reach end-users of AbilityOne products and services directly, the survey also identified surrogates for end-users as individuals who deal directly with end-users, such as building managers, administrative services officers or purchase cardholders who buys supplies for their offices. This research showed that end-users of AbilityOne products and services gave the program positive ratings (80% satisfaction or better) in the areas of quality, timeliness and responsiveness. The end-users were less likely to identify AbilityOne pricing as an area of high satisfaction, pointing to an opportunity for improvement.

In early FY 2015, a survey of non-Defense Federal Customer Satisfaction and Loyalty was implemented to identify strengths and further opportunities for improvement among customers who are the primary points of contact for active AbilityOne contracts. The overall response rate

was just below 20% and the margin of error +/- 7.1%, requiring conservative use of the data. However, statistically valid findings included an overall **88%** satisfaction level with the AbilityOne Program among this segment of customers, up from the previously measured level of 84% in 2011. Other statistically valid findings underscored the Program's need to focus on more competitive pricing and proposals, while quality and timeliness were found to be equal to or better than non-AbilityOne contractors. The results correlated closely with the feedback gathered in an AbilityOne products/services end-user survey conducted in 2013.

The Department of Defense (DOD) has implemented policies that limit its acquisition personnel's participation in surveys without special authorization. Accordingly, the Commission is exploring the use of other methodologies to gather customer satisfaction data. Past performance reports such as the Contractor Performance Assessment Reporting System (CPARS), which is required for DOD contracts with AbilityOne Program providers valued at \$1 million or more annually, have the potential to provide anecdotal customer feedback. The Commission recently implemented GAO recommendations related to pricing, specifically to enhance transparency in the establishment of Procurement List prices through the dissemination of procedures, manuals and training. The Commission's objectives for FY 2017 are to pursue the use of CPARS, and to evaluate how well recent efforts to increase pricing transparency have increased customers' understanding of and perception of AbilityOne pricing.

2.4. Employment Growth

The AbilityOne Program was established with one purpose: to create and sustain employment opportunities for people who are blind or who 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/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/services on the Procurement List. 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.

The targets established for AbilityOne employment growth -- two percent (2%) year-over-year growth related to AbilityOne products, and seven percent (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 2015, the AbilityOne Program saw some rebound from those decreases, particularly on the products side. Year-over-year employment growth was 6% for people employed in the AbilityOne products sector. However, growth was slower for people employed in the services sector, with a net increase of 1% in FY 2015. Combined, there was a 4.4% increase in hours of direct labor worked by people who are blind or have significant disabilities during the fiscal year.

As FY 2015 is the most recent year for which employment data is available, its results are reflected in the table below. The comparable FY 2016 data has not yet been received and reconciled, though preliminary inputs (through the first three quarters) were neutral.

	FY 2014 AbilityOne Result	FY 2015 AbilityOne Result	% Change
Hours	44,855,247	46,845,904	4.4%
People	46,621	47,368	1.6%
Promotions	1,181	1,002	-15.2% ⁴
Placements	1,936	2,029	4.8%
Wages	\$558,031,858	\$589,488,658	5.6%
Sales	\$2,881,532,877	\$3,153,999,582	9.5%

Table 3. AbilityOne Program Employment Data through September 30, 2015.

Some promising new employment opportunities created in FY 2015 and FY 2016 include AbilityOne NPAs manufacturing a portion of the requirements for several garments in the new Army Operational Camouflage pattern, including Army Combat Pants, Flame Resistant Army Combat Uniforms (FRACU) Trousers and non-FRACU Trousers and Army Combat Shirts. AbilityOne-associated NPAs also supplied field, dress, law enforcement and volunteer uniforms to 18,000 U.S. Forest Service workers. Other new products added to the Procurement List include cable and lock kits, rechargeable work lamps, paper shredders, combo ballpoint pen and stylus, foam hand washes and sanitizers, easels and bio-based cleaning products.

A traditional indicator of AbilityOne employment growth in future years is the estimated employment created by Procurement List additions during the current Fiscal Year. The table below shows the results, available for FY 2016 as well as the five-year trend.

	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Results	5-Year Average
Addition Actions	140	156	115	89	73	115
New FTEs	1205	970	485	446	375	696

Table 4. Fiscal Years 2012-2016 Procurement List Additions and New FTEs.

⁴ The decrease in promotions of employees working on AbilityOne contracts in FY 2015 may be explained by a particularly high number of employees promoted in FY 2014, equating to a nearly 17% increase that year. The FY 2015 promotions are very consistent with the numbers reported in FY 2012 (1,016) and FY 2013 (1,010).

In FY 2016, the equivalent of 375 full-time equivalents' worth of direct labor hours were created, which may provide employment for up to 750 individuals, given that AbilityOne employees often work less than full time. The table above shows that FY 2016 was below average for new opportunities coming to the AbilityOne Program, underscoring the need for 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 2016, particularly in emerging lines of business such as software testing, facilities management and contract closeout work. The employment of more than 3,000 veterans and wounded warriors across the AbilityOne Program is a point of both pride and continued commitment for the Commission.

In FY 2016, the Commission laid the foundation to establish a Directorate of Veterans Employment Initiatives (DVEI). The DVEI will focus on making the AbilityOne Program a center of excellence and clearinghouse for veterans' employment needs and other needs (rehabilitation, housing, etc.) to successfully reintegrate into the civilian workforce. The DVEI will coordinate with other Federal agencies and programs, with educational institutions, and with employees both in the AbilityOne Program and in the private sector.

Strategic Objective 2.4.2.

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

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

The Commission's public 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. As a result, two introductory meetings with advocates for people with disabilities were held in FY 2016, to increase openness and dialogue among leaders and organizations in this field.

One significant area of focus for the Commission in FY 2016 was its advocacy and relationship development with the commercial distributors who resell many of the AbilityOne products to Federal Government customers. The Commission issued a new policy and procedure for the AbilityOne Commercial Distribution Program, preceded by an Industry Day and followed by in-person and online distributor training. More than 250 commercial distributors re-certified their commitment to follow the AbilityOne Program business rules for reselling Procurement List

products. Accordingly, one performance indicator for program advocacy is sustainment of AbilityOne sales and market share through the Federal Strategic Sourcing Initiative (FSSI) Office Products programs, as this is a core AbilityOne product line.

The Commission tracks the percentage of AbilityOne sales among the FSSI vendors' total office product sales as an indicator of customers' and distributors' compliance with the mandatory source purchasing requirements. While the vendors participating in the FSSI program change with the various competitive cycles, the FY 2015 data show that AbilityOne products comprise approximately 17% of sales by the FSSI office supplies vendors. This is slightly lower than the level of AbilityOne sales through the former GSA depot system and is slightly below the AbilityOne sales percentage through program-operated Base Supply Centers.

2.5. Business Excellence

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

Strategic Objective 2.5.1.

Improve the Procurement List end-to-end process.

The first objective for the Procurement List (PL) addition process was to decrease cycle time 50% during the period of the Strategic Plan. The baseline or initial snapshot of likely PL addition cycle time was in excess of 600 days in FY 2010. In today's dynamic acquisition environment, this cycle time is much too long for the Commission to successfully grow the AbilityOne Program. CNA and Federal customer feedback consistently reveals that some AbilityOne project opportunities are lost due to the length of time it takes to go through the PL addition process.

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

Strategic Objective 2.5.2.

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

By statute, the Commission is responsible for establishing the fair market price (FMP) for products and services on the PL. The second objective under this strategic goal is twofold –

both to “Lean” the pricing process in terms of shortening cycle time, and to improve the transparency and competitiveness of AbilityOne pricing.

Cycle time reduction dovetails with the previous objective and benefits from the PL process mapping that has already been completed. In FY 2015, a cross-agency pricing work group studied the process delays, identified areas that require more guidance or clarity, and recommended solutions to reduce rework and overall cycle time. Since then, Standard Operating Procedures have been issued and the Commission’s entire set of pricing policies and procedures were updated and posted on www.AbilityOne.gov in late FY 2015 and early FY 2016. An increase in transparency and understanding of AbilityOne pricing methods is expected to lead to a decrease in processing time, as expectations will be clear and rework will be minimized. The Commission will take a new snapshot of the pricing cycle time in FY 2017 to monitor progress toward its streamlining goals.

Strategic Objective 2.5.3.

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

This objective pertains to the Commission’s oversight and evaluation of its CNAs’ use of resources. The CNAs are not funded by appropriation, but rather, they receive a small percentage of AbilityOne contract dollars, up to the ceiling approved by the Commission. The previous term “CNA Fee” has become “Program Fee” as a result of the Cooperative Agreements signed by the Commission and CNAs in FY 2016. This area has experienced significant change as a result of the requirements of the Consolidated Appropriations Act, 2016 and the subsequent agreements.

Prior to FY 2016, the Commission reviewed the CNAs’ annual business plans and projected revenues to evaluate the resources needed to perform the CNAs’ duties, and set a ceiling on fees. These resources are used to provide technical and financial support to AbilityOne-participating NPAs and to execute the CNAs’ responsibilities in implementing the AbilityOne strategic goals. 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. The fee ceilings for FY 2016 were 3.9% for NIB and 3.85% for SourceAmerica.

The Commission continued its practice of dashboard reviews during the year to ensure that CNA resource utilization remained consistent with the Commission’s understanding when the fee ceiling was approved. However, as mandated by the Consolidated Appropriations Act, 2016, the Commission established a Cooperative Agreement with each CNA to govern the business relationship going forward. The Cooperative Agreements address roles and responsibilities, performance, reporting and the collection of program fees. The Agreements also specify unallowable costs and link fee collection to performance going forward. 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.

Section 3: Other Information

3.1. Major Management Priorities and Challenges

These overarching management priorities and challenges were foremost during FY 2016:

- Meeting the Congressional mandate to establish CNA written agreements in 180 days;
- Meeting the Congressional mandate to stand up an OIG in 180 days;
- Transforming the AbilityOne Program NPA compliance process; and
- Enhancing strategic communication with key stakeholders.

As discussed in the Effective Stewardship goal section, and Business Excellence section above, 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 the completion of 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 will require additional staff and resources in FY 2017 and the out-years.

During FY 2016, the Commission conducted a top-to-bottom review of its compliance processes related to NPA reviews, which was substantial enough for the Commission to consider it a transformation. As a result, in FY 2017, the Commission will have a more robust and consistent training and credentialing program for compliance inspectors. At the same time, the compliance inspectors will follow standard operating procedures that have been re-engineered for maximum effectiveness. These procedures include a path for the Agency to refer possible waste, fraud or abuse identified by the compliance inspectors through the Commission's Office of General Counsel to the Office of Inspector General.

Finally, the Commission developed and implemented strategic communications involving increased outreach, dialogue and feedback with key program stakeholders. The Commission held nearly a dozen meetings with NPA chief executive officers to obtain input on what to include in the CNA Cooperative Agreements. The Commission also held meetings with leaders in the broader disability community to both share information and to listen to the issues and concerns those groups wanted to bring to the Commission's attention. These two-way communications initiatives, while resource intensive, are extremely valuable and enhance transparency, and will continue to take place in FY 2017 and beyond.

3.2 Cross Agency Collaborations

Without having official, cross-agency goals, the Commission and the AbilityOne Program are cross-agency collaborations by definition, 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 agencies across the Federal Government. The Commission includes Presidential appointees from the Department of Veterans Affairs, from the Rehabilitation Services Administration of the Department of Education, and from the Office of Disability Employment Policy at the Department of Labor, to name a few, which have broader yet complementary missions to the specific employment aim of the AbilityOne Program.

As an independent agency, the Commission has also engaged in cross agency collaborative efforts that support the AbilityOne mission, such as participating in the Chief Information Officers Council's Accessibility Committee and participated in meetings of the Chief Acquisition Officers Council and the Small Agency Council. Additionally, the Commission briefed and provided program data to the Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities, which was responsible for reporting its recommendations to the Secretary of Labor and Congress.

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

3.3 Evaluation and Research

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

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

The Commission reviews both annual and quarterly data such as changes in the number of program employees, direct labor hours they work, wages they are paid, outplacements that are

made to competitive employment, and adoption of best practices in the work environment. This information enables the Commission to gain a better understanding of the 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 the Commission's decisions or policy positions.

In two of the last three years, 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 their review. The data will not be accepted if it is not complete or contains any discrepancies. The data is generated and transmitted electronically to reduce the potential for errors in data entry. A senior officer from either CNA must sign off on the data, certifying it to be accurate to the best of his or her knowledge. Finally, the Commission staff conducts data analysis looking for potential issues and requests verification of those found. A thorough reconciliation process is executed each year to ensure data accuracy.

3.5 Lower Priority Program Activities

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

Section 4: Financial Information Including Audit Report

The U.S. AbilityOne Commission's FY 2016 Financial Audit is attached.