

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

## FISCAL YEAR 2016 BUDGET JUSTIFICATION



An independent agency responsible for administering the Javits-Wagner-O'Day Act (41 U.S.C. §§8501-8506) and the AbilityOne Program.

*Operating as the U.S. AbilityOne Commission*



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## EXECUTIVE DIRECTOR'S MESSAGE AND SUMMARY

The Committee for Purchase From People Who Are Blind or Severely Disabled, operating as the U.S. AbilityOne Commission (Commission) since 2011, administers the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506) and oversees the AbilityOne Program that statute authorizes. The AbilityOne Program creates and sustains employment for more than 47,000 Americans who are blind or who have significant disabilities through the delivery of quality products and services to the Federal Government. A jobs program accomplished through the Federal acquisition system, the AbilityOne Program serves individuals who have the most barriers to competitive employment and the lowest rate of workforce participation among working age Americans<sup>1</sup>.

As you review this request, we ask that you keep these thoughts at the forefront of your evaluation.

- At about 47,000 disabled employees, the AbilityOne Program is the single largest source of employment for people who are blind or significantly disabled in the United States.
- However, there are more than 13 million unemployed or underemployed in the population we are intended to serve, and the Program's employment peak of 50,000 has not been repeated in the past two years.
- It is critical to fully fund the Commission to ensure the necessary resources to focus on regaining and further expanding employment opportunities for the AbilityOne workforce – Americans who face some of the most significant barriers to competitive employment.
- This budget request will enable accomplishment of our statutory mission to grow employment for people who are blind or significantly disabled. It focuses on positioning the AbilityOne Program to succeed in this austere budget environment.

This FY 2016 budget submission builds on the President's vision for growth and opportunity for a subset of the U.S. population that encounters the most barriers to full employment. As discussed throughout this request, the Commission continues to pursue four fundamental, strategic goals to achieve its employment mission. First, the austere budget environment is driving the Commission to strengthen program advocacy, and to promote partnerships as well as enhanced oversight of the Javits-Wagner-O'Day Act and the AbilityOne Program. Second, the Commission must monitor and increase both employee and customer satisfaction. Together, these foster the third core goal, employment growth for the AbilityOne workforce – the essence of the Agency's mission. Finally, the Commission must maintain its focus on business excellence to ensure that critical processes are executed as effectively and efficiently as possible.

The Commission has considered the policies, strategies, and resources necessary to administer the AbilityOne Program in accordance with the Administration's priorities, our mission and the core goals above, in the context of the planning guidance for budgetary resources provided by the Office of Management and Budget (OMB). This request contains no proposals for changes in the current year

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<sup>1</sup> Labor force participation rate: Bureau of Labor Statistics, U.S. Department of Labor. Household Data, Table A-6, August 2014, *Employment status of the civilian population by sex, age, and disability status, not seasonally adjusted* [retrieved September 5, 2014].

budget (FY 2015). The Commission requests \$5.441M for FY 2016, which is neither an increase, nor a decrease from the FY 2015 President’s Budget. In recognition of the need to deliver more with less, this funding level is appropriate, as the Commission will continue to look for ways to improve efficacy, increase outcomes, avoid cost increases and reduce fragmentation, overlap, and duplication, as discussed further in this submission.

In developing this budget justification, data currently collected pertaining to jobs created, job reductions, direct labor hours worked, Federal agency expenditures, wages paid and placements made were thoroughly analyzed. AbilityOne Program data shows where employment has been gained, sustained or lost during the past year. Combined with Federal spending analyses, this data tells us which lines of business support the most reliable, highest skilled, highest paying positions for AbilityOne workers, and should be our top areas for expansion. Program data also identifies compliance priorities for the Commission, among participating nonprofit agencies and Federal buying activities. Independent evaluations, such as GAO studies<sup>2</sup>, further identify and inform our needs for enhanced program oversight in the form of written agreements, policies, procedures and audits.

Within the guidance level, the Commission’s proposed budget seeks to improve and increase job training and employment initiatives consistent with the principles set forth in the January 30, 2014 *Presidential Memorandum on Job-Driven Training for Workers*. The Commission’s Quality Work Environment (QWE) Initiative promotes the sharing of best practices among AbilityOne employers to actively engage with commercial industry, education providers and individuals who are blind or significantly disabled, to identify the supports, services and training needed in order to increase employment options, productivity, career advancement and workplace inclusion. Our Compliance division is responsible for ensuring that AbilityOne employers understand and meet the requirements under the Javits-Wagner-O’Day Act and applicable Agency regulations for employment, vocational training and placement services. It is a principle element of our Agency oversight.

The Agency’s workload has shifted over the past few years to involve handling increased legal challenges, addressing outdated policies or procedures, and increasing oversight of complex areas such as contract compliance and distributor compliance. Accordingly, the Commission continues to maximize opportunities to reprogram and retrain existing personnel to focus on oversight, compliance and policy priorities. We intend to reprogram within current resource levels to fund **one new full-time equivalent (FTE)** to assist our General Counsel with legal matters.

<b>Table 1: U.S. AbilityOne Commission Budget Request Summary (\$ Millions)</b>						
<b>Category:</b>	<b>FY 2013 President’s Budget</b>	<b>FY 2013 Enacted Post-Sequester</b>	<b>FY 2014 President’s Budget</b>	<b>FY 2014 Enacted</b>	<b>FY 2015 President’s Budget</b>	<b>FY 2016 Request</b>
<b>Personnel</b>	3.275	3.026	3.275	3.162	3.305	3.405
<b>Benefits</b>	823	815	823	816	837	858
<b>All Other</b>	1.298	1.252	1.298	1.279	1.299	1.178
<b>Total</b>	5.396	\$5.093	5.396	5.257	5.441	5.441

<sup>2</sup> GAO-13-457, *Enhanced Oversight of the AbilityOne Program Needed*, published May 30, 2013.

At the FY 2016 proposed budget of \$5,441,000, the Commission will operate economically and will reduce costs in non-personnel areas in order to support one additional FTE as noted above. Salary and benefits will account for more than 75 percent of the total budget requested. The Agency will seek efficiencies and savings in operational costs, while leveraging existing levels of resources to perform on-site compliance audits, update policy and regulations, and seek a return to the employment levels we previously achieved for people who are blind/significantly disabled.

The Commission's purpose and statutory duties that require these resources can be summarized as:

- Increasing employment opportunities for people who are blind or have other significant disabilities. (Job Creation)
- Establishing rules, regulations, policies and procedures to assure effective implementation of the Javits-Wagner-O'Day Act and the AbilityOne Program it authorizes. (Job Creation and Program Integrity)
- Monitoring central and participating nonprofit agencies' compliance with the JWOD Act, Commission regulations and procedures [GAO Report GAO-13-457.] (Program Integrity)
- Determining which products and services procured by the Federal Government are suitable to be furnished by persons who are blind or have other significant disabilities employed at qualified nonprofit agencies. (Job Creation)
- Determining and revising fair market prices for items procured by the Federal Government. (Job Creation)
- Informing Federal agencies about employment of people who are blind or significantly disabled and the statutory mandate that items on the Procurement List be purchased from qualified nonprofit agencies employing this population. (Job Creation and Oversight)
- Encouraging and assisting entities of the Federal Government to identify additional products and services that can be provided by people who are blind or have other significant disabilities. (Job Creation)

The Commission has no legislative proposals currently pending.

The AbilityOne Program is a vital thread in the fabric of services and employment opportunities available to this underutilized segment of the population, which includes wounded warriors and other veterans with disabilities. It is imperative that we have the skills, expertise and manpower to (1) fulfill the Commission's obligations to ensure compliance with our law and regulations, (2) fully implement the Government Accountability Office's (GAO) recommendations in report GAO-13-457, and (3) continue to pursue our fundamental employment mission.

Submitted by

E. Ballard  
Executive Director & CEO

## **AUTHORITY, MISSION, VISION AND PROGRAM STRUCTURE**

The Javits-Wagner-O'Day Act of 1971, codified at 41 U.S.C. §§8501-8506 and implemented through 41 CFR Chapter 51, establishes the legal authority for the Committee for Purchase From People Who Are Blind or Severely Disabled, which operates as the U.S. AbilityOne Commission. The Commission is an independent Executive Branch agency, with exclusive responsibility for administering this statute and the AbilityOne Program, which is responsible for employing more than 45,000 Americans who are blind or who have other severe disabilities.

The mission of the U.S. AbilityOne Commission and the AbilityOne Program is:

**To provide employment opportunities for people who are blind or have other severe disabilities in the manufacture and delivery of products and services to the Federal Government.**

The vision of the AbilityOne Program is:

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

This vision will be realized when:

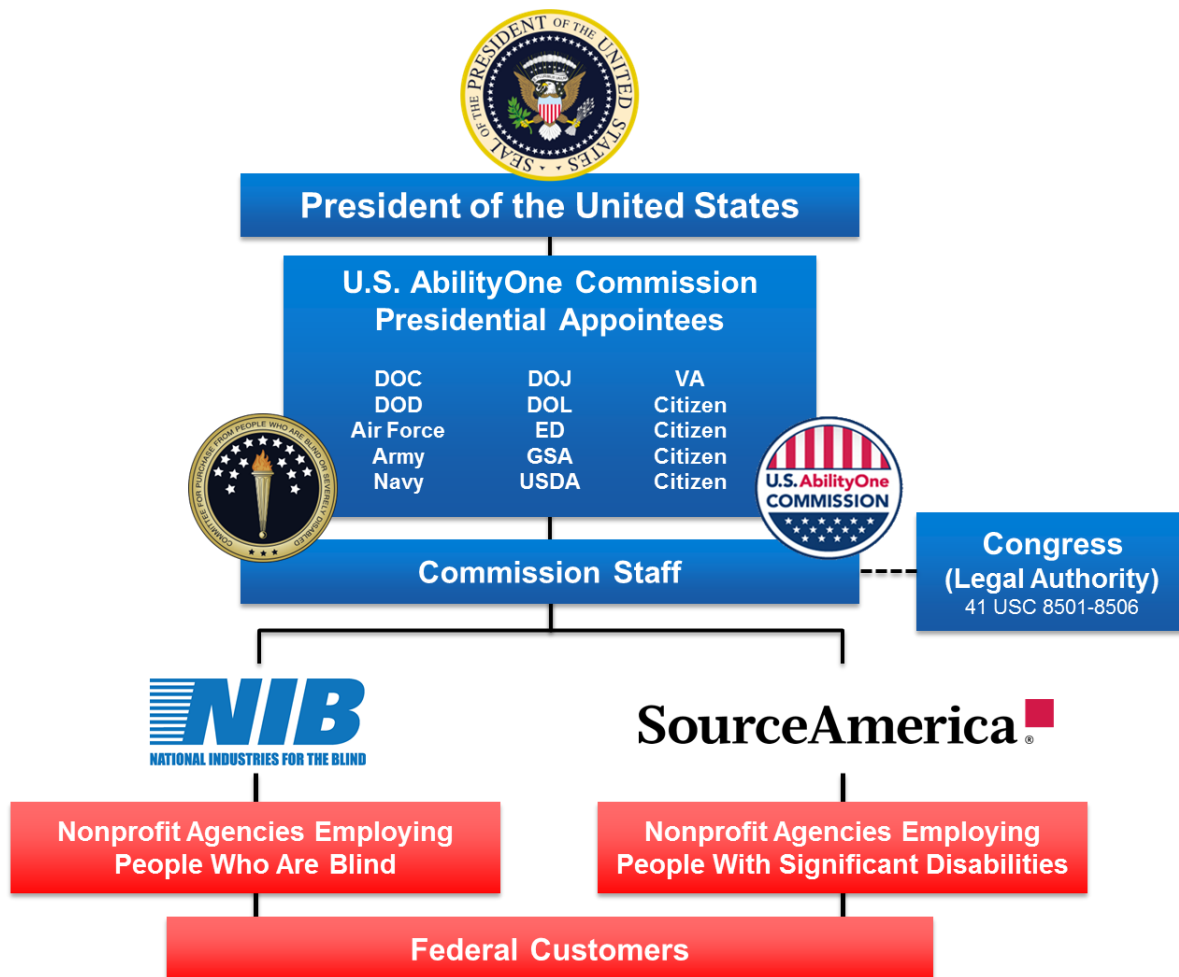
- ◆ Every person who is blind or significantly disabled and who wants to work is provided an opportunity to be employed productively.
- ◆ Every AbilityOne employee earns not only the Federal minimum wage (or higher applicable state or local minimum wage) but also a living wage and benefits package appropriate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

The agency is directed by 15 Commission members appointed by the President. Eleven of these appointees work for and represent other Federal agencies, while four appointees are private citizens representing the employment concerns of people who are blind or significantly disabled. The Commission elects a Chairperson and Vice Chairperson among its members, and the Chairperson is officially the Agency Head. A career member of the Senior Executive Service is the Agency's Executive Director and chief executive officer. The Executive Director leads a full-time civil service staff in performing the day-to-day activities necessary to administer the statute and the AbilityOne Program. The primary functional areas of the Agency are Compliance, Operations, and Policy/Programs, and the Agency is supported by a small cadre of information technology and resource management professionals.

The Presidential appointees, supported by the Commission staff, formulate policy and make decisions regarding legal and administrative matters for the AbilityOne Program. By statute, the Commission members are responsible for additions to and deletions from the Procurement List of products and services delivered by authorized nonprofit agencies employing people who are blind or significantly disabled. Following opportunities for public comment and after due deliberation, the Commission determines which items are suitable for the Procurement List and requires Federal agencies with such requirements to procure them from the nonprofit agency(ies) designated by the Commission.

The enabling legislation provides for the designation of one or more Central Nonprofit Agencies to assist the Commission in administering the statute and the AbilityOne Program. National Industries for the Blind (NIB) and SourceAmerica (serving people with a range of disabilities, formerly known as NISH) have been designated by the Commission to perform these duties. NIB and SourceAmerica are private, not-for-profit organizations that allocate orders and provide other technical and financial assistance to nearly 600 State and local nonprofit agencies that participate in the AbilityOne Program.

An organization chart follows.



**Figure 1. AbilityOne Program Organization.**

## **PERFORMANCE GOALS, MEASURES AND INDICATORS**

This section of the budget narrative addresses performance planning and reporting by the U.S. AbilityOne Commission, on behalf of the AbilityOne Program, in accordance with the Government Performance and Results Act (GPRA) Modernization Act of 2010. The necessary level of FY 2016 funding to execute the performance plan relative to each goal is discussed below.

The Commission conducted Strategic Planning sessions with the participation of its key stakeholders in FY 2013 to update the AbilityOne Program Strategic Plan for FY 2014-2017. For the Agency, as well as the Program, the mission and vision statements (reflected on page 5 of this document) and core goals were validated and remain the strategic direction for AbilityOne. The Commission and stakeholders then worked to refine shorter-term performance goals, tactics and measures, to ensure that the plan is relevant in today's dynamic business environment and can be readily operationalized.

The core goals for the AbilityOne Program are: (1) Effective Stewardship, (2) Employee and Customer Satisfaction and (3) Employment Growth. The Commission has an additional core goal applicable to the Federal agency, which is (4) Business Excellence. The high priority afforded to the execution of these goals is reflected in the Commission's subcommittee structure. Each of the Commission's four standing subcommittees is devoted to one of the core goals. The Agency uses a dashboard approach to report the progress toward each goal, reviewing and using the relevant data to make recommendations at the subcommittee level for decisions at the full Commission level.

### **STRATEGIC GOAL 1: EFFECTIVE STEWARDSHIP**

AbilityOne Program integrity is paramount, making the Effective Stewardship goal a top priority for the Commission. Effective Stewardship encompasses monitoring and fostering nonprofit agencies' compliance with the statutory and regulatory requirements to participate in the AbilityOne Program, as well as educating and promoting Federal customers' compliance with AbilityOne mandatory source requirements. At the same time, a new area of emphasis within stewardship is enhancing the Commission's oversight of its Central Nonprofit Agencies, in accordance with the recommendations in GAO Report GAO-13-457.

#### Nonprofit Agency Compliance

The Commission's first performance goal under Stewardship pertains to nonprofit agency oversight and compliance. The goal is for 100 percent of participating nonprofit agencies to be in compliance with applicable laws and regulations to participate in the AbilityOne Program, and the target is for the Commission to complete at least 120 on-site compliance audits of the nonprofit agencies per year. The on-site reviews enhance the information and confidence level associated with the annual compliance certifications the nonprofit agencies submit to the Commission. If 120 on-site audits are consistently achieved each year, the total universe of AbilityOne-participating nonprofit agencies will be reviewed in this capacity over a five year period. Accordingly, the Commission measures its performance of audits and the nonprofit agencies' compliance resulting from those audits.

At the end of FY 2013, approximately 96 percent, or 556 of the total 580 nonprofit agencies were found to be in full compliance through a combination of audits and review of annual certifications.



<b>Table 2: Nonprofit Agency Compliance Results Trend</b>			
	<b>FY 2011 Results</b>	<b>FY 2012 Results</b>	<b>FY 2013 Results</b>
Nonprofits Agencies in Compliance	582/606	575/598	556/580
Percentage (Target 100%)	96.0%	96.2%	95.9%

For the 24 nonprofit agencies that were out of compliance, and had no Commission-authorized exceptions, the reasons varied widely, from surges in commercial or State work, to loss of AbilityOne work, to an inability to recruit sufficient employment candidates with significant disabilities for certain projects. While no clear pattern or particular deficiency emerged, the Agency will continue to educate all nonprofit agencies, disseminating program guidance and following up with those agencies that submitted corrective action plans. The Commission required three nonprofit agencies with repeat non-compliance to present their corrective actions in person, and to explain why the Commission should allow them to remain in the AbilityOne Program. The target remains 100% of nonprofit agencies in compliance for FY 2016.

The primary resources needed to support the nonprofit agency compliance function are staffing, travel dollars and equipment. The Commission reassigned two current employees and hired three new FTEs between FY 2009 and FY 2012 to fully staff the compliance division for nonprofit agency audits. The primary constraint since 2011 has been travel resources, which have been negatively impacted by budget uncertainty, whether delayed by Continuing Resolutions or curtailed due to a lapse or reduction in funding. In FY 2013, the Commission’s available funding supported 45 on-site audits, and we project that FY 2014 on-site audits will reach 76. Thus, for the past two years, the Commission has developed some alternative methodologies, such as focusing on local travel until full appropriations were available, and leveraging an electronic (“virtual”) audit approach that includes remote records retrieval to facilitate the compliance reviews.

The virtual audit methodology makes it possible to accomplish several aspects of the compliance audit without travel, but presents some challenges. In light of privacy concerns with some documents used in the audit (documentation of an individual’s disability, annual evaluations and productivity studies), it was necessary for the Commission to find a way to review sensitive personnel documents without taking possession of them. The Agency identified a program called Dropbox that allows individuals to store a document in the cloud for a temporary period of time, for secure retrieval and review by others. While this proved helpful for some of the information we require, the Dropbox program was not compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and thus was not an appropriate solution for sharing medical or psychological records.

After gaining more than a year’s worth of experience with the virtual review process, the Commission determined that while such reviews produce minimally acceptable results, the virtual method is less efficient or effective as the on-site review. Virtual reviews require the nonprofit agencies to scan and upload a large number of documents, substantially increasing the preparation time for a review. Testing also demonstrated that more time is also needed for the compliance specialist to conduct the electronic review; it is much more efficient to leaf through or skim paper files for the necessary information, rather than having to scroll through or read every page in a multi-document PDF file. Finally, the virtual reviews lack face-to-face contact and the ability to gain first-person knowledge of the agency through observation or informal conversation, each of which contributes to the compliance

specialist's thorough understanding of the nonprofit agency's programs and operations, and thus, their evaluation of program compliance.

Notwithstanding these limitations, the Commission found that portions of a compliance review can be performed very effectively through the virtual approach. As a result, during FY 2016 and in future years, the staff will typically perform hybrid audits -- some sections completed virtually, followed by an on-site review of other sections, concluding with in-person exit briefing to discuss the findings and any areas identified for improvement. This methodology will enable the Commission to increase the average number of nonprofit agencies visited during one compliance trip by as much as 50%, without sacrificing quality interaction with the nonprofit agencies undergoing the audits. This hybrid approach maximizes staffing and travel resources while maintaining the validity of the findings.

The Commission is requesting travel funding in this FY 2016 budget request that will enable it to conduct the necessary complement of full audits, spot checks and corrective action visits. It is particularly important for the Commission to conduct investigations when complaints or allegations are received, and to visit struggling nonprofit agencies that are at risk of losing their Program eligibility and/or jeopardizing existing AbilityOne jobs. This budget request also includes adequate funding for supplies, professional subscriptions and training to support implementation of our compliance-related duties.

#### Authorized Distributor Compliance

Without seeking additional FTEs, the Commission is devoting a greater share of current staff resources to focus on AbilityOne Authorized Distributor compliance. Since 1996, supply system transformation has driven the Government away from operating its own depots and towards contractor support for the distribution of commodity-type items, including a wide range of AbilityOne office, cleaning and industrial supplies. This shift has resulted in the loss of strict Government control over products ordered and fulfilled, and the contractors – even those who complete the Commission's process for authorization to resell AbilityOne items – do not always adhere to business rules for mandatory source products. The GSA multiple award schedules program and similar contract vehicles have resulted in the proliferation of commercial products that are similar to or “essentially the same” (ETS) as mandatory source Procurement List items.

The sale of ETS or non-compliant products, and resulting loss of AbilityOne business, is an evidence-based conclusion. Using GSA sales data and the Commission's approved list of commercial equivalents to AbilityOne Procurement List products, National Industries for the Blind has calculated “buy around” or “leakage” in the range of \$250,000 per month since establishing the methodology in February 2014. The analysis below shows that \$1M in AbilityOne sales were lost through the top 10 noncompliant sellers in just six months of FY 2014. Accordingly, compliance efforts include establishing and implementing new policy and procedures for non-conforming distributors, which the Commission expects to publish for public comment and then as regulation in FY 2015. The lost sales must be recaptured to sustain thousands of AbilityOne manufacturing, assembly and packaging jobs for people who are blind or significantly disabled that are threatened by the reductions in Federal contract spending.

#### Central Nonprofit Agency Oversight

An additional area of focus for Effective Stewardship is increased oversight of the Central Nonprofit Agencies (CNAs) designated by the Commission to assist in its administration of the AbilityOne

Program. The GAO recommended its report GAO-13-457 that the Commission establish written agreements with National Industries for the Blind and SourceAmerica (formerly NISH) to spell out performance expectations and mechanisms for the Commission to oversee their implementation. Additionally, GAO recommended that the Commission strengthen its oversight of the CNAs' internal controls, to include reviewing the CNAs' various systems audits and potential internal control violations reported by whistleblowers or other mechanisms. This is a different type of compliance function than is currently performed by the staff today, but undeniably appropriate for a program with CNAs that have combined program-related annual revenues of approx. \$100 M. With the aforementioned reprogramming of staff, the efficiencies expected in hybrid virtual and on-site audits, and the three new FTEs proposed for compliance-related duties in FY 2016, the Commission is confident that greater oversight of the CNAs can be successfully performed within this compliance staffing structure.

### Legal Support

The Commission requires an additional FTE to assist in handling the complex legal and ethical issues are more prevalent during austere fiscal times when there is a sense of scarcity among Federal contractors. These legal matters are directly relevant to the Effective Stewardship goal as they have bearing on program integrity, statutory or regulatory compliance, or policy implementation. From providing legal reviews of routine and new AbilityOne business, to assisting the Department of Justice on relevant litigation, to supporting the Commission's interest in bid protest matters, the Agency's legal workload has grown considerably in the past five to seven years. This FY 2016 request includes an FTE (offset by reductions in operational costs) to work with the General Counsel, the Commission's sole attorney.

## **STRATEGIC GOAL 2: EMPLOYEE AND CUSTOMER SATISFACTION**

Both employee and customer satisfaction are crucial to accomplishment of the AbilityOne Program's employment mission. The Commission oversees the evaluation of data from these two key stakeholder groups, which include both quantitative and qualitative measures of satisfaction. The Commission and its AbilityOne partners then develop and execute plans to increase satisfaction in the areas where our data and evidence show the greatest opportunity for improvement.

The first strategic objective under this goal is to increase and sustain AbilityOne nonprofit agency **employee satisfaction** through a continuous feedback process, followed by targeted strategies to achieve improvements. A baseline employee satisfaction level was established in 2010, showing an overall AbilityOne Program employee satisfaction rating of 85%, compared to the 68% industry benchmark level<sup>3</sup>. The AbilityOne Program's Quality Work Environment (QWE) initiative was launched in 2010 to enhance the experience and satisfaction of program employees, and remains the primary methodology to pursue this objective and to increase the satisfaction levels.

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<sup>3</sup> Source: A random sample of 1,773 AbilityOne employees with significant disabilities and a census survey of 1,262 AbilityOne employees who are blind or visually impaired were asked a combination of satisfaction questions with the results combined and appropriately weighted. The benchmark industry percentage is a weighted average of Towers Watson employee survey results from the cross-section of industry sectors in the U.S., weighted by size and industry using current Census data.

QWE focuses on four key areas: (1) increasing wages through increased productivity, (2) providing navigation to supports, services and training, (3) articulating a defined career ladder for employees, and defining steps to climb the ladder, and (4) ensuring an integrated, engaging workplace culture. Nonprofit agencies that adopt the QWE initiative first conduct self-assessments using a standardized survey, then create and implement action plans, periodically reporting progress to their Central Nonprofit Agencies. Several QWE best practices correlate positively with the elements of job satisfaction most desired by AbilityOne employees, according to employee satisfaction survey results. The results of the most recent employee satisfaction survey, discussed below, have been analyzed in the context of the QWE, to examine whether and how QWE fosters greater satisfaction.

The Commission has a participation-related performance goal for the QWE initiative, expecting to eventually reach full participation by all AbilityOne authorized nonprofit agencies. The target for participation is for nonprofit agencies employing 95% of AbilityOne participants to have achieved at least the first step of the QWE, demonstrated by completion of the self-assessment survey, by the end of 2015. These nonprofit agencies must submit strategic action plans to implement QWE-identified best practices by the end of 2016. This modified target or extended completion date (originally to be achieved by the end of 2013) takes into account the considerable investment of time required to properly conduct QWE self-assessment and action planning, and it focuses the metric around the AbilityOne employees versus the number of nonprofit agencies.

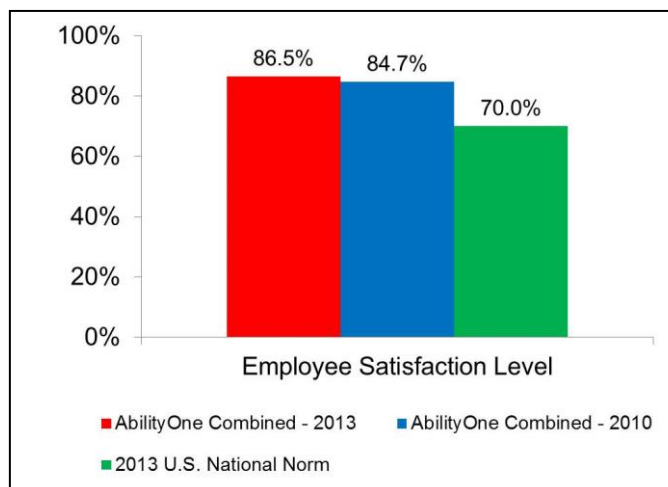
The rate of participation in QWE, plus qualitative results and success stories, are monitored closely by the Commission’s Employee and Customer Satisfaction Subcommittee. This data is also presented to the full AbilityOne Commission on a quarterly basis. The following table shows the QWE participation scorecard as of July 1, 2014, based on 580 active AbilityOne nonprofit agencies.

<b>Table 3. QWE Target Tracking for Calendar Year 2014 as of July 1, 2014</b>		
<b>% of AbilityOne Employees Working in NPAs with:</b>	<b>Goal</b>	<b>YTD</b>
Completed QWE Self-assessments	95%	73%
Submitted QWE Action Plans	74%	66%

The QWE initiative was conceived as a voluntary, continuous improvement program. To meet the current participation target, another 22 percent of AbilityOne employees must be covered by QWE, to the self-assessment level, by December 31, 2014. The Commission’s next priority is to determine whether 100% participation can be achieved through the voluntary approach, or whether regulatory change is needed to make QWE participation an eligibility requirement for nonprofit agencies in the AbilityOne Program. While the Commission has not established targets for completion of action plans and initiation of further rounds of QWE, we are pleased to note that more than one in five AbilityOne employees (22%) work in nonprofit agencies that have completed a first round of QWE and since embarked on a second or third round of self-assessment and action planning.

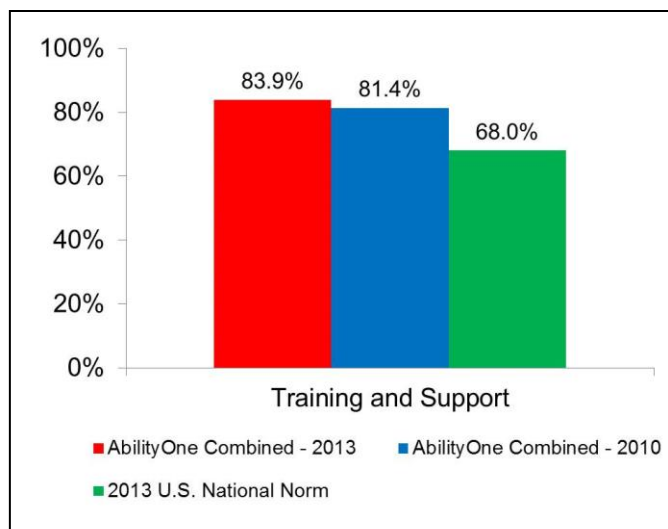
With the context and QWE-related information above, the Commission has reviewed the combined results and analysis of the updated employee satisfaction surveys conducted by the Program’s Central Nonprofit Agencies (National Industries for the Blind and SourceAmerica) in late 2013.

The first figure below is a bar chart showing the overall satisfaction level for AbilityOne employees who are blind or significantly disabled in 2013, compared to the same group's results for 2010 and the U.S. National Norm level reported by Towers Watson, a leading global professional services company that conducts employee research and helps organizations improve performance.



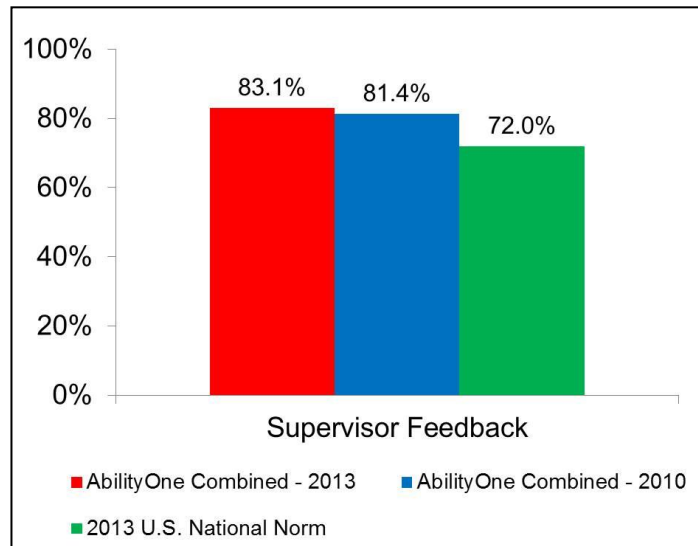
**Figure 2. AbilityOne Employee Overall Satisfaction - 2013 Results.**

In addition to looking at AbilityOne nonprofit agency employees' overall satisfaction level with their jobs, which demonstrated an increase of nearly two percent since the 2010 benchmark level, and was substantially higher than the U.S. National Norm, the Commission and relevant subcommittee members paid particular attention to satisfaction levels with available training and supports, and with supervisory feedback, as each were identified as opportunities for improvement after the 2010 surveys and each are addressed by core and progressive practices promoted in the QWE initiative.



**Figure 3. AbilityOne Employee Satisfaction with Training and Support - 2013 Results.**

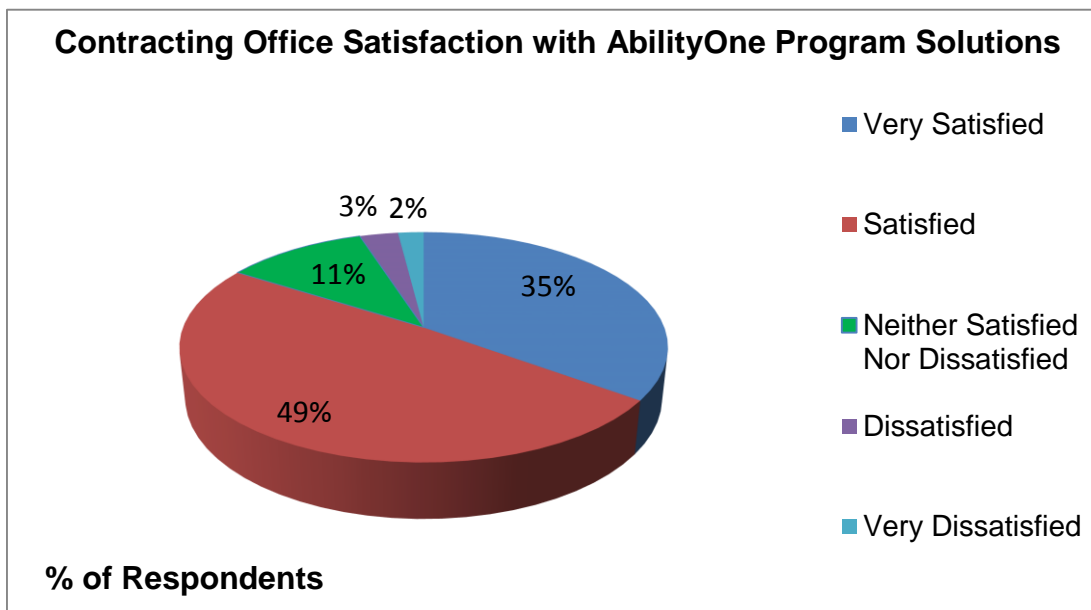
The figure above shows a two-and-a-half percent increase in AbilityOne nonprofit agency employees' satisfaction with the level of training and supports provided to them to enable them to succeed in their current jobs. The figure below shows nearly a two percent increase in AbilityOne nonprofit agency employees' satisfaction with the supervisory feedback provided to them relevant to their job performance and ways that it can be improved.



**Figure 4. AbilityOne Employee Satisfaction with Supervisor Feedback - 2013 Results.**

The 2013 survey results also identified key areas that may be influenced by the continued QWE initiative and present opportunities for improvements over current levels and the U.S. National Norm. Satisfaction with wages is a key area that merits future review. Due to some differences in the survey questions implemented by National Industries for the Blind and SourceAmerica, the Commission does not have an apples-to-apples comparison of employee satisfaction with wages compared to the 51% satisfaction level with wages reported as the U.S. National Norm. In light of this variance, the importance of the wage issue and the President’s Executive Order in 2014 that raised the floor for Service Contract Act wages to \$10.10 per hour, the Commission is requesting modest resources in FY 2016 (\$200,000) to conduct a study of the effect of this change on AbilityOne employment and wage-related employee satisfaction. The Commission is not requesting any additional staffing resources to achieve this objective.

The second strategic objective under the satisfaction goal is to increase and sustain AbilityOne **Federal customer satisfaction** at the buyer level and among end-users of products/services. Important on its own, this objective also facilitates the employment mission. A benchmark for buyer level or contracting officer satisfaction was measured via survey in 2011. As reflected in the figure below, 84% reported being satisfied or very satisfied with the AbilityOne Program solutions they have experienced. This data is still being leveraged to improve contracting officers’ perceptions of the program, with efforts to gather updated contracting professional perceptions underway in late 2014. We anticipate that refreshing this customer feedback will most likely require more qualitative inquiries, due to limitations placed on the acquisition workforce’s participation in quantitative surveys by the Department of Defense (DOD).



**Figure 5. FY 2011 Contracting Professionals Satisfaction Survey Results.**

Among the discrete elements of Federal customer satisfaction – quality, timeliness, responsiveness and pricing – the largest opportunity for improvement identified was perceived AbilityOne price competitiveness. In 2013 and 2014, the Commission updated many of its pricing policies, developed pricing manuals and increased the educational and informational materials available to both internal and external stakeholders. The GAO recommended in 2013 [GAO-13-457] that the Commission further enhance the transparency of its pricing policy, procedures and practices, and enhance its oversight of price change negotiations taking place in the field. The Commission plans to implement these recommendations in FY 2014 and FY 2015 through current personnel resources, leveraging existing information technology and providing clear, directional guidance to the Central Nonprofit Agencies for more proactive support in this area.

In FY 2014, the Commission assessed the satisfaction of end-users of AbilityOne products and services, to facilitate the development of specific communications and improvements for that customer segment. Reaching end-users for feedback purposes is challenging, because of their large numbers and geographic dispersion; however, with the support of the Office of Federal Procurement Policy and the Federal Acquisition Institute (FAI), the Agency was able to disseminate a short survey to end-users through the FAI student database.

In particular, pricing perceptions were surveyed, because (1) the lowest area of satisfaction among contracting officers was price-related, (2) the end-users normally provide the funding to the contracting officers, and (3) GAO Report GAO-13-457 recommended that the Commission improve the transparency and understanding of its pricing policies, procedures and practices. The findings below show several key AbilityOne lines of business, and distinguish between survey respondents who were end-users themselves or surrogates for end-users. Surrogates include those who purchase for a group of employees, such as supply room managers, or those who oversee service delivery for a group of employees, such as property managers.

**Table 4. Customer Satisfaction Data - AbilityOne 2013 Price Perceptions of Product and Service End-Users or Surrogates**

Key Line of Business	Price Perception: End-Users		Price Perception: Surrogates	
	Lower or Much Lower	Higher or Much Higher	Lower or Much Lower	Higher or Much Higher
Writing Instruments	29%	17%	29%	24%
Cleaning and Janitorial Products	26%	22%	17%	28%
Clothing & Textiles	21%	18%	17%	12%
Recycling Services	25%	31%	12%	34%
Custodial/Janitorial Services	17%	26%	18%	36%
Administrative Services	13%	29%	21%	32%
Contract Mgmt Support Services	9%	44%	30%	11%

The survey results show discrepancies in end-users' and surrogates' perceptions of AbilityOne prices, which will be addressed through pricing evaluation and customer communication activities in FY 2015-2016. The Commission plans to execute these activities with current personnel resources and continued assistance from the Central Nonprofit Agencies.

### **STRATEGIC GOAL 3: EMPLOYMENT GROWTH**

The AbilityOne Program's mission is to generate employment opportunities for people who are blind or significantly disabled, so employment growth is an obvious goal and metric for the Commission. The quality of AbilityOne employment is a high priority for the Commission, as discussed under the Employee/Customer Satisfaction goal above. The Commission tracks promotions of people who are blind or significantly disabled, which numbered 441 in FY 2013, as well as competitive placements for AbilityOne employees, numbering 2218 during the fiscal year. Still, the primary measure for the growth goal is quantitative -- the number of direct labor hours worked by AbilityOne employees and the total number of jobs supported by the products and services on the AbilityOne Procurement List.

The Commission's established measures and targets for employment growth segmented by products-related employment (2% increase) and services-related employment (7% increase) were based on Program employment trends during the period prior to the FY 2010-FY 2014 Strategic Plan. However, previous years' employment numbers are lagging indicators, and the unanticipated reductions in Federal agencies' spending on both products and services stemming from the austere budget environment and military drawdown have resulted in lower AbilityOne direct labor hours and jobs, virtually across the board for the past two years. Through the third quarter of FY 2014, the program has experienced even further decreases, particularly as the year began with Sequestration.



<b>Table 5. FY 2013 Employment Results – Second Annual Decrease</b>					
	FY 2011 Results	FY 2012 Results	% Change	FY 2013 Results	% Change
Hours	49,288,796	47,708,432	-3.21%	45,851,212	-3.89%
Jobs	50,580	48,816	-3.49%	47,701	-2.28%

One of the leading indicators often considered by the Commission is the estimated employment created by Procurement List additions during the most recent Fiscal Year. In FY 2013, a total of 156 addition actions created approx. 971 FTEs for people who are blind or significantly disabled, which may provide employment for nearly double that number of individuals, given that AbilityOne employees often work less than a full time schedule. The number of transactions was higher than the previous year, but associated employment positions were down, indicating that the program may not be out of the woods yet in terms of returning to a positive growth trend.

<b>Table 6. Fiscal Year 2011-2013 Procurement List (PL) Additions</b>				
	FY 2011 Results	FY 2012 Results	FY 2013 Results	3-Year Average
PL Additions	151	140	156	154
New FTEs	1359	1205	970	1350

Despite this disappointing finish to FY 2013, the Commission was encouraged by some of the product and service requirements that were added to the AbilityOne Procurement List. Requirements such as IT Help Desk Support for the Defense Manpower Data Center, Hospital Housekeeping for the Bayne-Jones Army Community Hospital at Fort Polk and the manufacturing of Intermediate Weather Outer Layer jackets and trousers for the Army will create and sustain hundreds of high skilled, high paying jobs for AbilityOne employees in FY 2014 and the out-years. These are non-traditional lines of business for the Program, and require the Commission’s continued focus on updating business rules and enhancing decision making processes to ensure defensible decisions.

The Commission remains focused on its statutory duty to maintain the AbilityOne Procurement List. Additions of products and services to the list are the lifeblood of the Program. This budget proposal sustains the Commission’s current operational staff and information system responsible for maintaining the products, services and employment associated with the Procurement List. These professionals handle routine and complex additions, as well as hundreds of administrative actions including price changes and in-scope modifications each year. Procurement List additions depend on the Program’s use of data mining and spend analysis to identify emerging lines of business that can result in the most job creation for individuals who are blind or significantly disabled. For example, we expect IT services, aseptic cleaning, contract closeout services, total facilities maintenance and contact centers to provide large numbers of AbilityOne jobs and direct labor hours in the current budget year and in FY 2016.

To spur employment growth, the Commission has identified the following five strategies:

- Reciprocal purchasing,
- Increased advocacy,
- Preserving current AbilityOne work,
- Reducing “leakage” or buying around the AbilityOne mandate, and
- Serving wounded warriors and veterans with significant disabilities.

First, the Commission is encouraging reciprocal purchasing agreements between AbilityOne participating nonprofit agencies. While this is not technically Federal procurement, it can stretch the positive effect of Federal procurement dollars across the AbilityOne Program, if nonprofit agencies utilize each other's supplies and subcontracting services. A pilot test in the San Antonio, Texas area has demonstrated that nonprofit agencies employing people who are blind and those with other significant disabilities can establish mutually beneficial business arrangements for products and services to help fulfill their AbilityOne projects, their State projects or even their internal needs.

Second, the Commission will increase its advocacy for the AbilityOne Program through communication and outreach at senior levels of the Federal Government, within the acquisition community and among members of the defense industry. Memoranda of support from the highest levels are continuously sought, as they encourage rank-and-file acquisition and requiring offices to partner with the AbilityOne Program. The Commission will work with acquisition leaders to explore how to include purchasing of AbilityOne supplies by commercial prime contractors, and to evaluate the feasibility of an AbilityOne Program utilization goal.

Third, an important complement to employment growth is employment preservation. When there are problems or proposed reductions in AbilityOne contracts, the Commission must reach out and communicate with the Federal customer to identify and understand the underlying issues – budget, performance, personality conflicts or other. While ensuring that Federal customers receive the products, services and levels of quality they require and are paying for, the Commission seeks to resolve business or performance challenges in a manner that retains the jobs for AbilityOne employees who are blind or significantly disabled.

Fourth, the Commission is focusing on how to eliminate “leakage” or buy-around of AbilityOne products to ensure that the Program receives all of the sales it should for Procurement List items. Commodity-type items on the AbilityOne Procurement List, such as office supplies and cleaning products, are particularly vulnerable to leakage or sales lost to equivalent non-AbilityOne items. The Commission partners with its Central Nonprofit Agencies and various Government contracting activities to combat leakage through education, policy implementation and positive influence. Current staff resources are being re-deployed to support these efforts within requesting an additional FTE at this time.

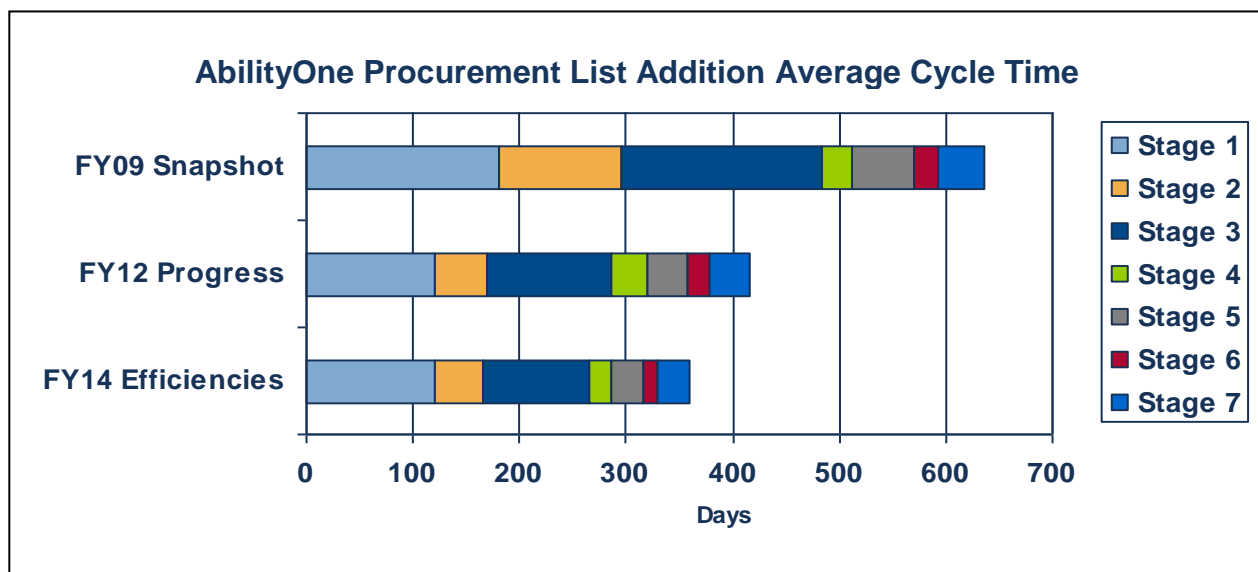
Finally, the Commission will maintain a special emphasis on meeting the employment needs of wounded warriors and other veterans with disabilities during FY 2016. More than 3,000 of current AbilityOne employees are veterans, and about half of those veterans are blind or have other significant disabilities. The AbilityOne Program's research shows that a large number of these veterans are not achieving employment, or are not able to sustain employment, as a result of physical and/or psychological injuries sustained in the defense of our country. We are developing employment opportunities suited to veterans' skill sets and unique assets, such as their possession of, or ability to have reinstated, security clearances which are needed to perform many Federal contracts. The Commission will also continue to explore and promote close coordination with other agencies and programs that support veterans' employment, and will seek to become a liaison or clearinghouse of such information, though it is not requesting additional funding for this purpose in FY 2016.

## STRATEGIC GOAL 4: BUSINESS EXCELLENCE

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

The performance goal for the Procurement List addition process was originally to decrease cycle time 50% during the period of the FY 2010-2014 Strategic Plan. The baseline of likely Procurement List addition cycle time was in excess of 600 days in 2009. Today's dynamic acquisition environment undisputedly demands a shorter cycle time for the AbilityOne Program to be successful. Through a Lean Six Sigma process mapping, diagnosis and implementation of solutions, PL addition cycle time was reduced by more than 25% when FY 2012 transactions were measured.

In FY 2013, two additional process efficiencies were implemented for smaller, non-controversial PL additions that further **reduced cycle time by 14-21 days**. The Commission was able to expand these efficiencies in FY 2014, and shortened cycle time for about two-thirds of the PL additions it considered. These efficiencies were also deployed for deletions from the Procurement List.



**Figure 6. Procurement List Cycle Time Improvement Through FY 2014 YTD**

The most significant delays and wait time remaining to be addressed take place in the pricing/costing development and negotiation phase, reflected in Stage 3 in the figure above. By statute, the Commission is responsible for establishing the fair market price (FMP) for products and services on the Procurement List. The performance goal related to pricing is twofold -- both to “lean” the process in terms of improving cycle time 40% by 2015, and evaluating/improving the competitiveness of AbilityOne prices, which will be ongoing through 2016.

GAO’s 2013 report [GAO-13-457] recommended that the Commission increase transparency in AbilityOne pricing policies, procedures and practices, and ensure timely reporting of price changes in the field. The Commission adopted the GAO recommendations, which align with execution of the current strategic and performance goals for pricing.

As a means to further provide transparency to the Commission prices, the Commission will publish its policies, procedures, operating manuals, and current Procurement List prices on the agency's website no later than first quarter, FY 2015, and will update them as necessary in FY 2016 and the out-years. This will provide the maximum insight possible to Commission pricing decisions. This will also ensure that all parties, Federal Contracting Activities, Central Nonprofit Agencies, Nonprofit Agencies, Commercial Companies that buy and sell AbilityOne products, and the general public, have access to current Procurement List prices.

The Commission also plans to initiate one or more Federal Acquisition Regulation (FAR) cases in FY 2015 and FY 2016 to update the language in FAR Part 8. For example, the Commission will clarify that Contracting Officer must receive approved pricing from the Commission before a contract is awarded or modified outside of the Commission-approved price or methodology.

As a result of the most recent AbilityOne Strategic Planning and tactical planning sessions, the Agency's senior leaders have challenged the Commission staff to find ways to further and dramatically reduce Procurement List cycle time in order to better serve Federal customers and to grow employment. The operations team is responsible for improvements in the Procurement List processes, with oversight from members of the Commission, and assistance from stakeholders at the Central Nonprofit Agencies. They will continue to pursue innovative procurement strategies to meet performance goals in these areas, without seeking additional resources in FY 2016.

Business excellence has an additional performance goal, which is to oversee and evaluate the collection and use of fee revenues by the Central Nonprofit Agencies (CNA). The CNAs are not funded by appropriations, but similar to a working capital fund, the CNAs receive a small fee paid by the participating nonprofit agencies based on their AbilityOne Program sales, up to the ceiling approved by the Commission. Through quarterly dashboards and annual business plans, the Commission closely monitors their collection of fee-related revenue and expenditure of those resources in the fulfillment of the CNAs' regulatory duties. The Commission considers data demonstrating the levels of compliance and job growth achieved, among other key metrics, in evaluating their efficacy and providing future guidance.

In accordance with the recommendations to strengthen oversight in GAO Report GAO-13-457, the Commission will work with the CNAs during FY 2015 to establish written agreements that clearly state the Commission's performance expectations and measures. The implementation of this goal will likely require regulatory change as well as expertise to negotiate the written agreements. The policy-related FTE proposed under the Stewardship goal will support this Agency requirement. The Commission's regulations currently detail the CNAs' duties, but articulate no evaluation process for those duties, nor any review of the CNAs' internal controls. In light of the critical role played by the CNAs and their combined fee revenues of nearly \$100 million, these regulations and associated policies are an important priority for AbilityOne oversight.

## **FY 2016 MANAGEMENT-FOCUSED OBJECTIVES**

### **Management Improvement Objective – DSP Review**

In late FY 2013, the Agency embarked on an objective to strengthen and improve the programmatic definition of significant disability, the regulatory suitability criteria and the decision-making processes used by the Commission members when they decide to add a product or service to the AbilityOne Program Procurement List. This objective differs from the Lean Six Sigma work pursued under the Business Excellence Strategic Goal area, because it is focused on program integrity and defensibility of decisions rather than process efficiencies.

Known as the Definition, Suitability and Process (DSP) Review, this management improvement objective is intended to clarify ambiguities in the AbilityOne Program's regulatory and policy implementation, particularly around the definition of severe or "significant" disability, which relates to the eligibility of individuals for AbilityOne employment. The DSP's charter also includes better aligning the criteria used to evaluate the suitability of Procurement List additions with the current business environment, and establishing a more consistent documentation approach that will result in stronger administrative records for the Commission's actions.

The objective for the DSP Review is to gather and leverage the expertise of Federal experts – both current Commission members and those not serving on the Commission – plus non-Governmental experts and representatives from the nonprofit agency community to identify policy concepts and best practices for the full Commission's consideration as it updates its decision-making practices. Initial concepts were presented to the Commission in July 2014, and based on those deliverables, the Commission has directed its staff to gather feedback from a broad range of program stakeholders. Ultimately, the Commission will use a public notice-and-comment approach to inform any future regulatory or policy changes.

The DSP Review actions will continue through FY 2015, and may involve a second or third phase review in FY 2016. While the DSP is driven primarily by subject matter expertise more than hard data, it is an important program level review and evaluation of the relevant regulatory, policy and procedural tools used to fulfill the Commission's statutory responsibilities for oversight and Procurement List management. The budgetary impact of the DSP Review is limited to occasional travel resources and additional compensation for the Special Government Employees who serve as private citizen members of the Commission, and is well worth the investment.

## **IT Investment, Cloud Spending and Cyber Security**

### Information Technology Overview

Appropriate maintenance and utilization of the Commission's information technology (IT) infrastructure is a continued area of emphasis for the Agency's management. There are no new technological initiatives in development or investments sought for this budget cycle. The Commission neither operates nor uses data centers, and maintains a small IT infrastructure footprint in the form of its own local area network and website server.

The Agency's highest IT priority is to maintain the Procurement List Information Management System (PLIMS) to ensure the Agency's ability to perform mission-critical tasks on a daily basis. PLIMS is the Commission's business information system, developed and launched in FY 2008. Since then, the Agency has made minor enhancements to the system's usability and efficiency, to better support AbilityOne Program business transactions with Federal customers and the Central Nonprofit Agencies. Its accessibility and continuity enables the Commission to increase productivity for staff and to meet government-wide goals for telework. Accordingly, we require programming support to maintain this electronic workflow system, which automates all AbilityOne business transactions, to include collection of compliance reports. This support is obtained through a small dollar value contract (\$195,000), which is slightly lower than the FY 2014 funding level, as a result of negotiated efficiencies for FY 2015 and FY 2016.

The Commission continues to make efficient and effective use of contractors for network support services, as reflected in this budget proposal. It is not advantageous for the Agency to directly hire individuals with the specialized skills needed to provide such technical services, which require frequent updates, training and certifications. However, the Commission regularly competes this requirement and ensures a best value solution is awarded. The cost of this network support will be approximately \$196,000 in FY 2016.

The Commission has a multi-year plan that spreads out hardware expenditures so that the Agency does not face obsolescence of a large share of its infrastructure in any one year. We were unable to implement this multi-year plan in FY 2012-2014, due to the lower level of appropriations received compared to the President's Budget. In FY 2015, the Commission intends to refresh and maintain the minimum hardware infrastructure necessary to fully support its personnel in fulfilling their duties. For FY 2016, it is critical that the Commission have the funding requested to support such equipment and software.

For cyber security, the Commission relies on its interagency agreement with the Department of Homeland Security, National Cyber Security Division. Under this agreement, DHS provides consolidated intrusion detection, incident analysis and cyber response capabilities in the protection and defense of the Commission's external access points and network for a reasonable fee. There are no additional funds requested for cyber security purposes in FY 2016.

<b>Table 7: Information Technology Expenditure and Investment Summary</b>				
<b>Category:</b>	<b>(PY) FY 2014</b>	<b>(CY) FY 2015 Budget</b>	<b>(BY) FY 2016 Request</b>	<b>% Change from FY 2015 Budget</b>
Personnel	1 FTE	1 FTE	1 FTE	0%
Network Maintenance	\$206,000	\$191,000	\$196,000	3%
Information System Programming	\$198,000	\$190,000	\$195,000	3%
Hardware	\$20,000	\$20,000	25,000	25%
Software	\$30,000	\$30,000	36,000	20%
New Investments	\$0	\$0	\$0	0%
Total	1 FTE \$454,000	1 FTE \$440,000	1 FTE \$451,000	2.5%

### Cloud Computing Summary

In FY 2014, the U.S. AbilityOne Commission migrated the majority of its physical server architecture to a private, cloud-based virtual server model. This virtual server model has streamlined IT operations by increasing efficiencies associated with leveraging the virtual environment. The result has been reduced costs associated with server maintenance and an increase in Agency end-user efficiency and effectiveness while maintaining the Procurement List. In FY 2015, the Agency will update and streamline IT operations by utilizing the Microsoft Office 365 Government public cloud and create a hybrid/mixed cloud model when it moves its email to this environment. This will enable the Commission to consolidate and share commodity IT functions, resulting in a more efficient use of resources and an enhanced user experience.

For FY 2016, the Agency will evaluate moving its VMware server infrastructure to a public cloud-based computing environment to determine whether it will further reduce our operating costs. The table below reflects the Agency's previous, current and budget year spending on cloud computing in \$ millions as specified by OMB Memorandum A-11, July 25, 2014.

<b>Table 8. Cloud Computing Expenditures FY 2014 – Projected FY 2016</b>			
<b>Type</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Public Cloud	0	0	0
Private Cloud	.03 (Virtual machine)	.02 (Virtual Desktop)	.03
Community Cloud	0	0	0
Hybrid Cloud	0	.02 (email server)	.02
Non-Cloud Provisioned Services	0	0	0

## **Evidence, Evaluation and Innovation**

The Commission understands the important role that evidence plays in planning, requesting and justifying resources, and evaluating performance. The Agency has long used program data to assess performance; targets and metrics exist for each of the key performance goals and objectives. Additionally, the Commission reviews this data as a whole annually, and on a quarterly basis through its subcommittee structure. Accordingly, the Commission members have a strong grasp of the Agency's and the AbilityOne Program's performance throughout the fiscal year, and have the ability to make adjustments between strategic planning and reporting periods, as needed.

In particular, the Commission has OMB-approved data collection and annual review processes for nonprofit agencies' compliance with the Javits-Wagner-O'Day Act and the regulatory requirements to qualify for participation in the AbilityOne Program. The Commission uses this information to track employment-related data such as jobs, direct labor hours, wages, promotions and placements that assist it in evaluating AbilityOne Program outcomes. The Commission has implemented a methodology to gather and analyze employee and customer satisfaction data in conjunction with its Central Nonprofit Agencies (CNAs). In the past few years, the Commission has established quarterly review of progress towards its full participation goal for the QWE initiative, and the Commission has executed quarterly scorecard reviews of the CNAs' use of fee-related resources to fulfill their duties and achieve Commission priorities.

The Commission is interested in refining or augmenting these tools to improve program outcomes. One of the needs identified by the Commission during the most recent strategic planning process was to collect more robust data on the performance of AbilityOne product and service contracts once added to the Procurement List; for example, how many jobs or direct labor hours are sustained for people who are blind or significantly disabled on a project level basis? The Commission will consider requesting an expansion of its data collection authority in FY 2016, to potentially gather information from AbilityOne participating nonprofit agencies at the project level and/or to gather nonprofit agencies' small business utilization data on a consistent basis.



## **Reductions, Savings and Increased Effectiveness**

In accordance with OMB Memorandum-13-14, the Commission has reviewed and considered ways to reduce fragmentation, overlap, and duplication, and to increase its effectiveness. As the Commission administers only the Javits-Wagner-O'Day Act and the AbilityOne Program it authorizes, there is no overlap or duplication within the Agency. The Commission has also considered whether its mission and the AbilityOne Program overlap other Federal agencies' employment programs for people with disabilities. The recent GAO Report , GAO-12-342SP, "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," reviewed overlap among Federal programs that relate to or assist individuals with disabilities. GAO included the AbilityOne Program in this review, but did not find any overlap or duplication with other Federal agencies' programs. The Commission creates jobs for its target population through nonprofit agencies and the Federal procurement system, while the other programs studied provide policy, training, grants or other supports, but not direct employment, to people who are blind or have other significant disabilities.

The Commission's primary area of emphasis in process restructuring or reengineering pertains to its electronic workflow and use of telework, which is supported by the Agency's IT infrastructure – local area network (LAN) and laptops or other portable devices. Through telework practices and digitization of its records, the Commission has reduced its requirement for office space, and the anticipated reduction in cost has been incorporated into our FY 2016 budget request. Our adoption of maximum telework flexibility improves program delivery by allowing concurrent review of Procurement List packages and other documents, which shortens overall cycle time. As discussed in the Stewardship goal area, virtual compliance reviews have demonstrated opportunities for early information gathering and efficiencies in the compliance process, though we have determined that some on-site presence is still required for robust, fully effective audits.

The Agency continues to use cost avoidance measures such as redeploying staff resources for temporary or permanent assignments, and reducing the use of consumable supplies such as paper and toner cartridges. In FY 2016, the Commission will continue to use teleconferencing to reduce travel, particularly for non-compliance activities, such as recurring meetings and educational briefings. However, many of the opportunities to reduce the Agency's resource requirements, including deferring certain investments in refreshing hardware or delaying the award of service contracts, have been exploited and will not be available to achieve further cost reductions.

From a resource management standpoint, the Commission leverages the Federal Strategic Sourcing Initiative and other strategic sourcing approaches to obtain the products and services it needs at volume discount pricing. The Commission's human resources and finance requirements are processed by the General Services Administration, which consolidates and handles multiple boards' and commissions' administrative needs on a reimbursable basis. We also leverage contractor support to minimize staffing and training costs in highly technical areas such as IT support services.

As discussed in the Performance section, the Commission regularly monitors progress and effectiveness in meeting its strategic goals, and in 2013, the GAO released its most recent study on the Commission's oversight and effectiveness, GAO Report GAO-13-457. It should be noted that the GAO found no waste, fraud or other critical flaws in the Commission's administration of the AbilityOne Program. The GAO did make recommendations to strengthen AbilityOne Program oversight, and the implementation of those recommendations is discussed throughout this narrative.

# ANALYSIS OF RESOURCES REQUESTED

## Policy and Funding Priorities

The U.S. AbilityOne Commission administers only one program in terms of policy and funding priorities. Accordingly, these are directly tied to the core AbilityOne strategic goals: effective stewardship, employee and customer satisfaction, and employment growth. Each of these is critical to the mission. This narrative provides justification for the minimum funding level needed to sustain the Agency and its mission -- \$5.441 million.

At the outset, \$5.441 million is the same funding level approved for the Agency in the FY 2015 President's Budget; the Commission is not requesting an increase in appropriation in this FY 2016 justification. However, the \$5.441 requested funding level is absolutely necessary to execute the Commission's most critical priorities for staffing, travel and equipment to support the Agency's nonprofit agency compliance function, its collection and analysis of satisfaction data to improve employees' and customers' experience with the AbilityOne Program, and the day-to-day maintenance of the Procurement List. It is the minimum necessary to support the Program's administrative, legal and policy requirements, and its educational efforts to facilitate the purchase of products and services that create employment for people who are blind or significantly disabled. It is not possible to identify any portion of this baseline request as less than a top priority, because the Agency is very lean in both personnel and non-personnel resources.

In light of the past few years' budget austerity, overall spending reductions and resultant loss of AbilityOne jobs, the Commission respectfully asserts that a funding level of \$5.441 is needed to strengthen and sustain the AbilityOne Program and the constituents it serves through employment. The most critical need is for support to the General Counsel in light of an increasing and complex myriad of legal requirements, protests, legal actions, Presidential appointee decisions and decision appeals. Legal expertise is needed to support the formulation and administration of the Agency's first contracts for Central Nonprofit Agency services required under the JWOD Act and recommended in GAO Report GAO-13-457 "*Enhanced Oversight of the AbilityOne Program Needed.*" Lacking adequate legal review and support, the Agency is at greater risk for nonconformance with laws, regulations and other requirements, to damages from lawsuits or the loss of protests or challenged personnel actions. The Agency may be vulnerable due to inadequate regulations and policy, from both an internal operating standpoint and an external program compliance standpoint.

The next highest funding priority is for the necessary compliance-related resources to protect the integrity and credibility of the Program, and to ensure that Federal agencies properly utilize AbilityOne products and services. As discussed above, the Commission proposes to reprogram and maximize the current level of resources (\$5.441 M) to focus on these critical areas.

## Discretionary Funding Targets and Alternate Targets

The Commission's prior year, current year and budget year requests contain no mandatory funding targets. The Congress has not directed any specific allocation of the Agency's appropriation. The discretionary funding targets for the Agency are provided below:

<b>Table 9. Discretionary Targets, in \$ Millions</b>			
	<b>2015 President's Budget</b>	<b>2016 Target (per 2015 Budget)</b>	<b>FY 2016 Request</b>
Personnel (76%)	4.142	4.215	4.263
Non-Personnel (24%)	1.299	1.331	1.178
Total	5.441	5.546	5.441

The Commission's funding level for FY 2015, though published in the President's budget, has not yet been appropriated. However, the Commission believes that funding level is appropriate and a minimum for the Agency's FY 2016 funding level. If the Commission is funded below this requested level, it will be hindered in its ability to successfully execute the crucial oversight and compliance function, as well as its employment growth goal, which comprise its greatest priorities.

### Programmatic Increases or Anomalies

The FY 2016 proposed funding level of \$5.441 M does not represent any programmatic increases; it is essentially a flat line request. The proposed addition of an FTE to support the Agency's General Counsel will be offset with reductions in operational expenses.

## BUDGET REQUEST BY OBJECT CLASS

<b>Table 10: FY 2016 Budget Request by Object Class (in \$ millions)</b>					
	<b>FY 2013 Post Sequester</b>	<b>FY 2014 President's Budget</b>	<b>FY 2014 Enacted</b>	<b>FY 2015 President's Budget</b>	<b>FY 2016 Guidance Request</b>
Personnel	\$3.026	\$3.275	\$3.162	\$3.305	\$3.405
Benefits	815	823	816	837	858
Travel	75	212	130	151	145
Rent & Communications	553	550	544	455	405
Printing	22	20	20	25	18
Services	534	430	509	584	540
Supplies	33	40	30	35	25
Equipment	35	46	46	49	45
Losses & Claims	0	0	0	0	0
<b>TOTAL</b>	<b>\$5.093</b>	<b>\$5.396</b>	<b>\$5.257</b>	<b>\$5.441</b>	<b>\$5.441</b>

## **Object Class Narrative for FY 2016 Request:**

**Salaries and Benefits - \$4,263,000.** The Commission has requested funding at the FY 2016 level to allow for one additional FTE that is offset by reductions in other budget classes. Accordingly, the salary and benefits are slightly higher than those requested in FY 2015, but the topline budget request remains static. At the FY 2016 proposed level, salary and benefits represent about 78 percent of the total Agency budget, sufficient to cover the projected workforce of 27 FTEs with fringe benefits. Each of these positions has been reviewed to ensure it is providing the maximum benefit in support of the Agency's priority goals, such as program compliance assurance, employment growth and sustainment, policy development, legal and records management support. Positions will continue to be reviewed and reprogrammed as necessary to most efficiently and effectively promote the mission. This amount also includes four private citizen Commission members who are appointed by the President to represent the interests of individuals who are blind or who have other significant disabilities. These Special Government Employees are paid at the Executive Level IV rate on a per-diem basis when conducting Commission business.

**Travel - \$145,000.** In accordance with Administration guidance, the Commission has reduced travel expenditures, particularly for meetings and conferences, by approximately 45 percent from the FY 2010 baseline level. No increase in travel dollars is requested in this budget proposal. Instead, the Agency relies on teleconferencing and other electronic media such as webinars in lieu of most in-person meetings and training. However, this budget justification includes funds for the most mission-critical travel, which is primarily compliance and audit-related. The Commission must assess approximately 580 nonprofit agencies' overall compliance with statutory and regulatory requirements, as well as verify the data they report through their annual certifications. As discussed in the Stewardship goal area, efforts are underway to leverage secure data drop sites and to conduct a portion of the standard compliance audit remotely. However, full audits and follow up visits are necessary to fully execute the duties of the compliance function. This budget line includes travel by the private citizen Presidential Appointees serving as Commission members and any travel support required as reasonable accommodations to appointed private citizens with disabilities. While maximizing teleconferences, they must travel to conduct official business, with Federal organizations, organizations within the private disability community, Congress and the Administration. This category also includes minimal mission essential travel for senior leaders.

**Rent & Communications- \$405,000.** The primary driver of this budget class is the cost of space for the Commission. We have negotiated a smaller footprint at a lower rental cost for FY 2016 and the out-years, which will result in a savings of nearly 20 percent. The remaining funds requested in this budget class are necessary for monthly charges for current telecommunications equipment, which are minimized as much as possible through strategic sourcing. The Commission also maintains wireless phone service, high speed web connectivity and remote access Internet service provider accounts to provide staff members access to network and email accounts while on travel or teleworking. A small portion of this budget category includes standard business expenses for postage, domestic package delivery and teleconference bridge lines.

**Printing - \$18,000.** In accordance with the Administrative Procedures Act, the Agency continues to have printing costs associated with publishing notices in the Federal Register. This fulfills legal requirements and promotes transparency. The Commission routinely seeks efficiencies in this category and leverages the electronic dissemination of information. The Agency continues to look for opportunities to consolidate and/or minimize the volume of text published in the Federal Register to conserve in this area, and continues to explore web-based publication options to provide more

detailed information to the public. The Commission does not intend to use this budget line to print informational materials or educational collateral which can be disseminated electronically.

**Services - \$540,000.** As a small Federal agency, the Commission conserves its employee resources and pays GSA to provide administrative support for HR/personnel support, accounting and payroll services. While GSA's total cost for HR and financial support services has increased incrementally, we have not identified any lower cost options for this support, which remains lower than the total cost for a highly skilled FTE. The Commission has two service contracts that support its information technology infrastructure; one for general network support and one for programming of the Agency's information management system. We have explored opportunities to reduce expenses in this area, and received some price reductions from our vendors. During the Sequestration, the Commission revisited its requirements to defer some costs in the IT service area.

The services category also includes services we require to meet statutory requirements. In accordance with FISMA, the Commission must review and report on its security functions on a yearly basis. Similarly, the Accountability of Tax Dollars Act of 2002 requires every agency, regardless of size, to conduct an annual audit of its financial statements. In both of these instances, the Commission procures the services of experts to perform the review functions so that the Commission can then take action to ensure full compliance. This category also funds training and professional development necessary for Commission staff in 2016, which has been reduced about 80% over the last three years.

**Supplies and materials - \$25,000.** The Commission consistently to target his object class for savings in order to have the necessary funds for higher priority requirements. Staff members continue to reduce office supplies consumption, particularly paper and toner. Spending in this was reduced by more than 30% in FY 2013, and reduced nearly another 10% in FY 2014. We anticipate a conservative spending pattern for supplies again in FY 2015; however, the Agency will have to replenish certain office and operating supplies that have been deferred. In the past two years, the Commission has eliminated the purchase of some non-critical items such as plaques or other nominal tokens presented in the form of awards and recognition. The Commission continues to fund subscriptions to technical reference such as West Law, technical manuals and other publications that enable employees' performance of official duties.

**Equipment - \$45,000.** The Commission was unable to fully implement its multi-year plan hardware refreshment plan from FY 2012 through FY 2014, due to the lower level of appropriations received compared to the President's Budget. In light of the postponed updates of key employee equipment such as laptop computers, the Commission will need to make some catch-up purchases in FY 2016. The Agency must also purchase the necessary software and licenses for its personnel, as well, which is a fairly consistent cost of \$30,000.

**PROPOSED APPROPRIATION LANGUAGE**

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

***SALARIES AND EXPENSES***

For expenses necessary for the Committee for Purchase From People Who Are Blind or Severely Disabled, established by Public Law 92-28 (41 U.S.C. §8501 et. seq.), \$5,440,972.

## CONCLUSION

In her September 2, 2014 White House blog posting, Taryn Williams, an Associate Director in the Office of Public Engagement, captured the spirit of the AbilityOne Program's mission perfectly:

*“People with disabilities, including significant disabilities, have the skills and talent to make meaningful contributions within America’s workplaces. Advancing employment opportunities and expectations for people with disabilities strengthens not only our economy, but also our society. It creates a more inclusive America where people with disabilities benefit from the intrinsic value of work and develop pride in knowing that they too play a role in the growth and success of our Nation.”*

Ms. Williams noted the Administration's continued commitment to address the persistent barriers to employment faced by Americans who are blind or significantly disabled, and reiterated the focus on providing these individuals with an opportunity to succeed in our nation's workforce. The AbilityOne Program is one of the ways in which the Administration pursues this very worthwhile objective, creating and sustaining more than 45,000 jobs for this population by the end of FY 2014. The Commission's goals, strategies and resulting budget request are well aligned with the Administration's priorities for employment, as well as economic growth, accountability, transparency, and maximization of technology to deliver services efficiently and effectively.

The AbilityOne Program has a proud tradition of maximizing the employment potential of individuals who are blind or significantly disabled. We are proud of our role in reintroducing wounded and otherwise disabled veterans back into the civilian workforce. In FY 2013, more than 3,000 veterans and wounded warriors were employed by AbilityOne Program; with about half of these veterans identifying themselves as having significant disabilities or blindness. The Program generated high skilled, high paying jobs for these individuals in promising lines of business such as information technology, contact centers and total facilities management.

Despite the overall reduction in AbilityOne employment in the last two years, down from a peak of more than 50,000 jobs, we are confident that our program's value to the Federal customer and social benefits present a strong business model, and with the necessary investments, can lead to growth again as the country's financial position stabilizes. However, it is incumbent upon the Commission to position the AbilityOne Program for the future, by protecting its integrity and strengthening its policies and procedures to meet the challenges of the current business environment. We seek to do this through the FY 2016 budget and the strategic and tactical objectives discussed in this narrative. The requested \$5.441 M is a small investment in the AbilityOne workforce, which earned about \$550 million in wages during FY 2013, contributing to their communities, joining the ranks of taxpayers and achieving a greater share of independence. This program is truly a cost-effective way to give people who are blind or significantly disabled a hand-up and an opportunity to earn their share of the American dream.

## **Appendix A Financial Management**

Though it is a small, independent agency, the Commission accomplishes an important mission that is national in scope – touching the lives of more than 48,000 people who are blind or who have other significant disabilities. It does so without a national infrastructure, and with very limited appropriated funds. The agency's 2014 budget was \$5,257,000. This budget is primarily used to fund salaries and benefits for the Agency's full-time civil service staff and private citizen members, to pay for rent and overhead expenses at the agency's sole office in Arlington, Virginia, and to fund official travel such as on-site audits of nonprofit agencies' compliance with the law and relevant regulations.

The agency's goals, objectives, targets and measures are focused on administration of the AbilityOne Program nationwide. The External Services Branch of the Finance Division at the General Services Administration (GSA) provided financial systems services to the Commission under an interagency agreement during FY 2014, as they have in years past. These include an accounting system, travel, administrative payments; personnel compensation and benefits; and cash collection and deposits. The Commission relied primarily on audits of the Finance Division conducted by the Office of the Inspector General at GSA to uncover material weaknesses in the systems and to ensure that internal control procedures are in place. No material weaknesses have been reported to the Commission by that office.

In FY 2013, independent auditors found the Committee's financial statements presented fairly and the agency's financial position for the fiscal year ended in conformity with generally accepted accounting principles. Additionally, the auditors did not note any deficiencies in internal controls over financial reporting that would qualify as a material weakness. Also, the audit did not disclose any instances of noncompliance with laws or regulations that would be reportable under Government Auditing Standards or the Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, as amended. The agency continues to perform monthly periodic reviews of financial statements against internal control documents to ensure accuracy of transactions between the Committee and our GSA service provider.

### **Improper Payments Reductions**

In accordance with the Improper Payments Information Act of 2002, the Commission reports that it had no significant improper or erroneous payments in FY 2013. As of September 8, 2014, the Commission staff has reviewed and reconciled all FY 2014 payments to date, and has identified no significant improper or erroneous payments in this fiscal year. Therefore, no corrective action is required. The Commission has no grant making authority, makes no payments to beneficiaries, has no unneeded real property and has no debt collection program. The Commission has fewer than eight contracts for services; none in excess of \$210,000 per year, and most are significantly below that threshold. Nearly all of the agency's resources are dedicated to personnel and rent. The Agency is committed to monthly reconciliation of all spending, including payroll, and remains vigilant to prevent improper payments.