




Office of Inspector General
Committee for Purchase From People
Who Are Blind or Severely Disabled
(U.S. AbilityOne Commission)

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FOR: Thomas D. Robinson
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SUBJECT: Biennial Audit Plan for Fiscal Years 2020-2021

We are pleased to provide the Office of Inspector General (OIG) Biennial Audit Plan for Fiscal Years (FY) 2020-2021. The OIG Biennial Audit Plan includes five statutorily mandatory audits of the U.S. AbilityOne Commission and nine discretionary audits of the AbilityOne Program. Included in the Audit Plan is a description of the OIG's audit process.

Enclosure: Biennial Audit Plan – FY 2020 and 2021

cc: Kelvin Wood
Chief of Staff

Office of Inspector General

Biennial Audit Plan for Fiscal Years 2020-2021

Overview

The AbilityOne OIG audit coverage is designed on risk-based factors surrounding the AbilityOne Program functions, operations, major activities, and program priorities and challenges. The implementation of Cooperative Agreements, DoD 898 Panel recommendations, and emerging challenges are among many of the priorities that impact the AbilityOne Program's capability to provide job opportunities for people who are blind or have significant disabilities. The AbilityOne Program is the largest source of employment for over 46,000 Americans who are blind or have significant disabilities and are employed in the service, and it facilitates manufacturing and delivery of over \$3.6 billion in federal contracts for products and services to the Federal Government.

The Committee for Purchase from People Who Are Blind or Severely Disabled operates as the U.S. AbilityOne Commission (Commission or Agency) and is responsible for administering the AbilityOne Program pursuant to the Javits-Wagner-O'Day (JWOD) Act (41 U.S.C. §§ 8501–8506). The AbilityOne Program encompasses the Commission and Central Nonprofit Agencies (CNAs) designated by the Commission to facilitate the distribution of Federal Government orders for approximately 550 Nonprofit Agencies (NPAs) nationwide. The dynamics of the CNAs in the program are changing and growing, starting with the National Industries for the Blind (NIB) established in 1938, SourceAmerica in 1974, and the American Foundation for the Blind (AFB) in July of 2018. AFB joins NIB and SourceAmerica as a Commission-designated CNA, with an initial 18-month period of research and studies per the Cooperative Agreement with the Commission. Each CNA has its own Cooperative Agreement with the Commission, and that Agreement helps govern the relationship and performance of each CNA.

The Government Accountability Office (GAO) published the 2019 High Risk List, which included identification of government operations with vulnerabilities to fraud, waste, abuse, and mismanagement or in need of transformation to address economy, efficiency, or effectiveness challenges. In 2018, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) published its report of the top management and performance challenges facing multiple federal agencies. Within the CIGIE's report, the Commission's OIG along with several federal OIGs was recognized for its effort to identify and report on challenges dealing with funding, staffing, and training. OIG takes into account prior audit work accomplished by the OIG, GAO, and activities from the DoD 898 Panel on AbilityOne Contracting oversight, accountability, and integrity. In addition, the OIG visited nearly 30 NPAs to understand the business of the AbilityOne Program and assist in identifying risk in the Commission's Program and operations.

U.S. Government Auditing Standards

The *Government Auditing Standards*, also known as the Yellow Book, is issued by the Comptroller General of the United States and sets the requirements for performing high-quality audit work that continues to improve government operations and services. The standards, commonly referred to as the generally accepted government auditing standards (GAGAS), provide the foundation for auditors to lead by example in the areas of independence, transparency, accountability, and quality through the audit process. Government auditing provides the objective analysis and information needed to make the decisions necessary to help create a better future.

Performance and financial audits are essential tools to help improve the performance and ensure the accountability of federal government operations. Performance audits evaluate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.¹

The OIG's audit process comprises the steps taken to conduct an audit and involves activities ranging from annual audit planning to audit follow-up. The underlying goal of the audit process is to maintain an open channel of communication and ensure the audit results are accurate and fairly presented in the audit report.

The key audit elements in the audit process are:

- **Audit Planning** – An audit plan (i.e. biennial) is developed and distributed to interested parties. It contains a list of planned audit projects and general objectives of the audits. The audit plan is a “living” document that may be revised as circumstances warrant, with a subsequent redistribution of staff resources.
- **Engagement Letter (Announcement Letter)** – Formal notification is provided to the office responsible for a specific program, activity, or function to inform them of the OIG's intent to begin an audit of that program, activity, or function.
- **Entrance Conference** – An introductory meeting that is held to advise management officials of the objective(s), scope, general methodology to be followed, and planned milestones of the audit.
- **Fieldwork** – A comprehensive review is performed of selected areas of a program, activity, or function using an audit program developed specifically to address the audit objectives.

¹ Government Auditing Standards, GAGAS 1.21, 2018 Revision.

- **Discussion Draft Report** – A discussion draft copy of the report is provided to management officials to allow them the opportunity to prepare for the exit conference.
- **Exit Conference** – A meeting is held with the management officials to discuss the discussion draft report. This meeting provides management the opportunity to confirm information, ask questions, and provide any necessary clarifying data.
- **Draft Report** – The issuance of the final draft report for management officials to provide formal comments. Responses include concurrence or nonoccurrence for each recommendation, along with planned actions and target dates for completion.
- **Final Report** – The final audit report includes, as necessary, any revisions to the facts, conclusions, and recommendations from the draft report and evaluation from management official comments. Management written comments are included as an appendix to the report.
- **Audit Follow-up** – This audit process ensures that recommendations made to management are implemented, reviewed, and closed.

Statutorily Mandated Work Products for FY 2020-2021

Top Management and Performance Challenges Report

The Reports Consolidation Act of 2000, P.L. 106-531, requires OIGs to identify agency management challenges, assess the performance progress in addressing each challenge, and submit a summary report annually. The reported challenges reflect what the OIG considers to be significant impediments to the AbilityOne Program efforts to promote economy, efficiency, and effectiveness in its management and operations, and should be included in the Commission's Performance and Accountability Reports (PARs).

The OIG identified the erosion of statutory program authority, transparency, implementation of the cooperative agreements given CNA growth, adequate resources, needed enhancements to program compliance, and a lack of risk management as the most pressing challenges.² Each challenge area is connected to the Commission's mission to provide employment and training opportunities in the manufacturing and delivery of products and services to the Federal Government of the United States for people who are blind or have significant disabilities. The next report is scheduled for December of 2020.

² Top Management Challenge Report, December 2019. *See also* Performance Audit Report on the AbilityOne Program Fee, December 20, 2019.

Financial Statement Audit

The Chief Financial Officers Act of 1990, P.L. 101-576, as amended by the Government Management Reform Act, P.L. 103-356, requires 24 major agencies of the Federal Government to prepare and submit audited financial statements. For those Federal entities not covered by the CFO Act, the Accountability of Tax Dollars Act of 2002, P.L. 107-289, requires those Federal agencies and entities to prepare and submit audited financial statements to the Office of Management and Budget (OMB) and Congress.

The objective of the audit is to provide an opinion on whether the Commission's financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The audit is performed by a certified independent public accounting (IPA) firm through shared acquisition services, and the OIG provides technical oversight on the contractor's performance.³ The OIG oversight ensures compliance with professional auditing standards, guidance defined in the OMB Circular A-136, *Financial Reporting Requirements*, and OMB Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements* or its successor.

IG FISMA Metrics Report

The Federal Information Security Modernization Act of 2014 (FISMA), P.L. 113-283, amended the Federal Information Security Management Act of 2012 to strengthen Federal cybersecurity. FISMA 2014 clarified the OMB oversight authority over Federal agency information security practices and codified the responsibility of the Department of Homeland Security (DHS) to administer the implementation and reporting of compliance requirements.

FISMA requires the OIG to conduct an annual independent evaluation to determine the effectiveness of the information security program and practices of the Commission. The OIG oversight ensures the contractor follows the methodology established by CIGIE, OMB, and DHS for Fiscal Year 2020-2021 IG FISMA Reporting Metrics.

Risk Assessment for Government Charge Card Programs

The Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194, reinforced efforts to prevent waste, fraud, and abuse of Government-wide charge card programs. Reviews are conducted consistent with OMB guidance and other criteria.⁴ Due to resource constraints, we do not anticipate performing this review in FY 2020.

Under the Charge Card Act, OIGs conduct a periodic assessment to ensure the Commission has effective controls to mitigate the risk of internal fraud, misuse, and delinquency as well

³ See also 31 U.S.C. §§ 3515 and 3521.

⁴ Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, dated August 27, 2019.

as identify potentially illegal, improper, or erroneous use of purchase cards and payments. The intended objective is to conduct an assessment of risk management controls, policies and practices, and determine the scope, frequency, and number of periodic audits of purchase card or certain aspects of the Charge Card Program. All executive departments and agencies are required to implement the Charge Card Act's internal controls for purchase cards and travel cards to ensure Federal funds are appropriately managed.

Progress Review on Transparency of Federal Data Requirements

The Digital Accountability and Transparency Act of 2014, P.L. 113-101, also known as the DATA Act, expanded on the Federal Funding Accountability and Transparency Act of 2006. The DATA Act identifies OMB and the Department of the Treasury as the two agencies responsible for establishing data standards and issuing related guidance to effectively track federal spending. The DATA Act requires Federal agencies to begin reporting federal spending using the data standards to USASpending.gov by May 2017. OIGs review the data submitted by their agencies under the act and assess the Commission's implementation and use of the Government-wide financial data standards. OIGs subsequently report to Congress on the completeness, timeliness, quality, and accuracy of the information. Due to resource constraints, we do not anticipate performing this review in FY 2020.

Planned Discretionary Work Products for FY 2020-2021

AbilityOne Program – Program Oversight

The Commission designated two CNAs –National Industries for the Blind (NIB) and SourceAmerica – to facilitate the distribution by direct allocation, subcontract, or any other means of orders from the federal government for products and services on the Procurement List (PL) among NPAs within the AbilityOne Program. A third CNA, the American Foundation for the Blind (AFB), is in a research phase. As part of the required oversight responsibilities of the AbilityOne Program, we created program oversight on the Commission's designated CNAs and the program.

1. Evaluation on the Market Shift for the Growth and Innovation of Products and Service

The CNAs and NPAs have developed innovative product expansion capabilities and are equipped with a host of resources. Early in the program history, the CNAs developed and performed extensive research and development to develop products and services to be provided to the government. Historically, the development of products and services by the CNAs has outpaced the NPAs in resources and expertise. However, this model has evolved.

The objective is to determine whether the NPA innovations for products and services are

optimally leveraged and translate to additions in the PL for new product and service business lines. In particular, the audit will focus on the CNAs' processes and practices in assisting NPAs with new business development or expansion of products and services related to increasing employment opportunities for people who are blind or have significant disabilities.

The planned scope and methodology will cover processes for adding the commodity to the PL after determination of employment potential, NPA qualification, capabilities to meeting quality and delivery standards, and impact on current or most recent contractor.⁵

2. Effectiveness of Completed Actions from CNAs Cooperative Agreements

The United States Government Accountability Office (GAO) recommended the Commission enter into written agreements with each CNA to enhance program oversight.⁶ The Commission entered into Cooperative Agreements with the CNAs – NIB, SourceAmerica, and AFB – to implement the Consolidated Appropriations Act of 2016 (P.L. 114-113). These Cooperative Agreements established the governing relationships, roles, and responsibilities within the AbilityOne Program. The Performance audits will assess the effectiveness of the implemented actions from the reporting requirements of the Cooperative Agreements. Additionally, as defined in the performance objectives and key performance indicators of each party in its respective role within the AbilityOne Program, they will promote greater program accountability in accordance with JWOD Act, 41 U.S.C. Chapter 85 and implementing regulations, 41 C.F.R. Chapter 51.

The audit objective is to determine the effectiveness of the performance of the Cooperative Agreements in improving oversight and transparency in the AbilityOne Program.

3. CNA Selection of NPAs for Project Assignment and Allocation of Order

The Commission interim policy 51.301.1 Pilot Test is a companion to the existing policy 51.301, *Selection of Nonprofit Agencies for Project Assignment and Order Allocation*, which prescribes policies pertaining to the CNAs selection of NPAs for projects to be developed and/or allocation of orders for products and services on the Procurement List. The Commission makes the final determination that one or more NPAs are able to deliver a product or service that is on or added to the Procurement List.

The audit objective is to assess the extent to which the implementation of the project assignment

⁵ 41 CFR 51-2.4; see also http://www.abilityone.gov/procurement_list/services_commodity.html.

⁶ [GAO-13-457, "Employing People with Blindness or Severe Disabilities: Enhanced Oversight of the AbilityOne Program Needed," \(May 2013\)](#)

and allocation process by the CNAs is effective and follows established Commission policies. In particular, the audit will assess the transparency, effectiveness and consistency of the criteria applied by the CNAs for NPA project assignments and allocation of orders. The planned scope and methodology will look into the CNA and Commission policies. The CNAs developed processes and procedures for project assignment and order allocation that result in a fair, equitable, and transparent distribution of opportunities among AbilityOne associated NPAs.

4. Evaluation on the CNAs' Recommendations of Assignments and Orders to NPAs

The Commission determines whether a proposed product or service is suitable to be added to the PL and chooses the NPA most qualified and capable to deliver the product or service. Recently, the Commission interim policy 51.301.1 Pilot Test has become a companion to the existing policy 51.301, *Selection of Nonprofit Agencies for Project Assignment and Order Allocation*. The interim policy addresses aspects of pilot test(s) for NPAs' Allocation Competition and competitive NPAs recommendation processes among other changes.⁷ The NPA recommendation process includes consideration of technical capability, past performance, and price (also see Policy 51.620 and interim policy 51.620.1 Pilot Test).

The audit objective is to evaluate the process for CNAs' recommendations to the Commission for the project assignments and allocation of orders among qualified NPAs. Specifically, it aims to determine whether there are effective controls for making recommendations to the Commission for qualified NPAs, sufficient documentation for the workflow of information of project assignments, and allocation of orders among qualified NPAs to fulfill a particular product or service requirement. The planned scope and methodology will look into Commission and CNAs' policies and procedures as well as best practices for making recommendations to the Commission for NPAs project assignments and allocation of orders.

5. Audit on the Quality of Products in Support of Meeting Government Requirements

Through the AbilityOne Program, approximately 46,000 American people who are blind or have significant disabilities are currently employed at more than 550 nonprofit agencies (NPAs) nationwide. That results in the AbilityOne Program providing more than \$3.6 billion worth of products and services to the Federal Government in FY 2019.⁸ As a trusted supplier to federal agencies and the U.S. military, NPAs are engaged in making contract orders more cost-effective and providing quality products and services.

The audit objective is to assess the reliability, validity, or relevance of the quality control process by CNAs and NPAs to address actions as required prior to product delivery. The planned scope

⁷ See also [Interim Pilot Test Policy 51.301.1, Selection of Nonprofit Agencies for Project Assignment and Order Allocation, June 10, 2019](#)

⁸ U.S. AbilityOne Fiscal Year 2019 Performance and Accountability Report

and methodology will judgmentally select contracts based on volume of sales, complexity of the product, and other qualitative factors, focusing on the evaluation of documented quality control process by CNAs and NPAs to correct product deficiencies prior to delivery.

6. Review the Appeal (Reconsideration) Process for the Selection Decision on NPAs' Project Assignment and Allocation of Orders

Under the Commission interim policy 51.301.1 Pilot Test, appeals are sent directly to the Commission Deputy Executive Director. The requests for appeal must be received within 10 business days after an NPA's debriefing or notice of the Commission's decision. A request for appeal received after the deadline will not be granted.

The audit objective is to determine the effectiveness of the pilot test on Nonprofit Agency Allocation Competition. In particular, we will assess how the changes in policies, controls, and practices impact the NPAs' appeal process for the selection decision on NPAs project assignment and allocation of orders. The planned scope and methodology include assessing the recently established policies by comparing them to the documented appeals to understand the decision determination for NPAs' project assignments and allocation of orders.

Agency Risk Assessment

The CIGIE Quality Standards for Federal Offices of Inspector General sets guidance for OIGs to assess the nature, scope, and inherent risks of Agency programs and operations to help ensure optimum use and assignment of OIG resources and priorities. The purpose of the Agency risk assessment is to identify and analyze current and emerging agency programs, operations, and management challenges that pose the greatest risks.

Our intended objective is to perform a risk assessment of the Commission and AbilityOne Program functions and operations. The desired outcome will provide information to Agency management for consideration on implementing the requirements of OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016 as well as informed risk areas for audit and oversight activities. The Circular defines management's responsibilities for enterprise risk management (ERM) and internal control functions.

As reported in the Top Management Challenge Report of the agency, ERM has not been implemented in any capacity by the agency. The Agency has failed to complete a risk profile or meet the requirements in implementing the ERM.

Audit of the Commission's Contract Administration Process

The audit objective is to assess the effectiveness of the Commission's contract administration process and compliance with Federal regulations and Agency established policies and procedures. In particular, the audit will review the post award processes, include internal controls to verify deliverables against contract terms, review and reconcile payments, and oversee contractor performance.

The Commission utilizes contract services to support its core business areas and cross-cutting functions in order to effectively execute its responsibilities and sustain its mission.

Performance Audit of the AbilityOne Office of Compliance

The audit objective is to assess the effectiveness of the Compliance Program in maintaining compliance and enforcement for the NPAs and the CNAs.