

U.S. ABILITYONE COMMISSION

FISCAL YEAR 2018 PERFORMANCE AND ACCOUNTABILITY REPORT



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

TABLE OF CONTENTS

Message from the Chairperson, U.S. AbilityOne Commission	1
Section 1: Management Discussion and Analysis	3
1.1. Introduction.....	3
1.2. Mission and Vision	5
1.3. History.....	5
1.4. Organizational Structure	6
1.5. Commission Members	7
1.6. Commission Staff	8
1.7. Office of Inspector General	8
1.8. Commission Meetings	9
1.9. Scope of Responsibilities.....	9
1.10. Major Activities	9
1.11 Fraud Reduction Report.....	13
Section 2: Performance – Strategic Goals, Objectives, Updates, Next Steps.....	15
2.1. Strategic Goals Overview	15
2.2. Effective Stewardship	16
2.3. Employee and Customer Satisfaction	19
2.4. Employment Growth.....	20
2.5. Business Excellence.....	23
Section 3: Other Information	25
3.1. Major Management Priorities, Challenges and Risks.....	25
3.2. Cross-Agency Collaborations	26
3.3. Evidence Building (Research and Evaluation)	27
3.4. Data Validation and Verification	27
3.5. Lower Priority Program Activities.....	28
3.6. Assessment of Reliability and Completeness of Financial and Performance Data	28
3.7. Conclusion	29
Appendix I: Office of Inspector General “U.S. AbilityOne Commission Top Management and Performance Challenges Report”	
Appendix II: Independent Financial Audit	

Message from the Chairperson, U.S. AbilityOne Commission

I am pleased to present the U.S. AbilityOne Commission's (Commission) Performance and Accountability Report for Fiscal Year 2018. This report summarizes major accomplishments, reviews performance measures, and describes challenges that lie ahead.

The mission of the Commission is to provide employment opportunities for people who are blind or have significant disabilities in the manufacture and delivery of products and services to the Federal Government. In FY 2018, the Commission continued its unwavering focus on this mission. At the same time, the Commission intensified its emphasis on accountability and transparency, renewing its dedication to rigorous stewardship of the unique AbilityOne Program and the people we serve.

Accomplishments that advanced these priorities in FY 2018 included:

- Designating the American Foundation for the Blind (AFB) as a new Central Nonprofit Agency (CNA), in order to expand the bandwidth to create knowledge-based jobs in the AbilityOne Program.
- Refining, sharpening and continuing to implement the Cooperative Agreements with the first two CNAs, National Industries for the Blind and SourceAmerica, in order to maximize oversight of these key Program components.
- Participating in the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity, in order to help advance this panel's important work.
- Participating in the 2017 National Defense Authorization Act Section 846 Panel on Ecommerce, as part of the Commission's efforts to ensure that the AbilityOne Program is prepared for the future.
- Continuing to build the Office of the Inspector General, in order to promote effectiveness and efficiency in the AbilityOne Program and prevent or detect any waste, fraud or abuse.
- Continuing to establish operations of a Western U.S. Field Office, so that distance from Washington, D.C. will not mean distance from Commission oversight.
- Continuing to build the Directorate of Veterans Employment and Initiatives (DVEI), so that the AbilityOne Program can be an effective resource for veterans who face employment challenges.

These areas of emphasis were selected with an eye to enhancing and protecting the work that AbilityOne has dedicated itself to performing for eight decades: providing jobs for people who are blind or have significant disabilities, while furnishing high-quality products and services (over \$3 billion) to the Federal Government at fair market prices. Through the AbilityOne

Program, approximately 45,000 people who are blind or have significant disabilities are currently employed at approximately 550 nonprofit agencies (NPAs) nationwide.

These employees are talented, dedicated, tenacious individuals, whose contributions not only facilitate the operations of the Federal Government, but also benefit local communities and enrich the overall fabric of American life. In this era of increased oversight and accountability, the accomplishments of AbilityOne employees register more clearly than ever.

Sincerely,

Thomas D. Robinson
Chairperson and Presidential Appointee
U.S. AbilityOne Commission

Section 1: Management Discussion and Analysis

1.1. Introduction

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

Approximately 45,000 people who are blind or have significant disabilities are employed through the AbilityOne Program, making it one of the largest sources of job opportunities for a population that has historically experienced the lowest employment rate of any segment of U.S. society. The Program's benefits can be measured in the contributions of each AbilityOne employee to their local as well as the national economy.

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

The AbilityOne Program provided more than \$3.3 billion worth of products and services to the Federal Government in FY 2017, the most recent year for which this data is available. The jobs associated with delivering those products and services are located at approximately 550 NPAs nationwide, across 15 time zones, from Guam to Maine.

The Commission has 15 Presidentially-appointed members supported by a 32-person staff. The Commission is required by 41 U.S.C. 8501-8506 to designate one or more CNAs to facilitate distribution of Federal Government orders for products and services. The Commission has designated National Industries for the Blind (NIB) and SourceAmerica to facilitate the distribution of orders and provide other assistance to NPAs in the AbilityOne Program.

A third CNA, the American Foundation for the Blind (AFB), was designated in 2018 to provide the Program with additional bandwidth and an emphasis on knowledge-based opportunities at a time when changes in employment trends point to a new direction for AbilityOne jobs. Until 2020, AFB is limited to conducting research and studies. The Commission has continued strengthening its oversight of its two other CNAs. These ongoing accomplishments align with the AbilityOne Program's strategic goals:

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

¹ Paragraph clarified since original publication.

The AbilityOne Program also:

- Operates at more than 1,000 locations, including the facilities of 40 government agencies
- Operates more than 150 Base Supply Centers at military installations and Federal buildings
- Provides SKILCRAFT® and numerous other office supplies, cleaning products, military clothing and equipment

Statutory functions of the Commission include:

- Establishing rules, regulations and policies to assure effective implementation and oversight of 41 U.S.C. 8501-8506 and the AbilityOne Program it authorizes.
- Increasing employment opportunities for people who are blind or have significant disabilities.
- Determining which products and services are suitable for provision by nonprofit agencies employing people who are blind or have severe disabilities, and providing information on such items to Federal personnel through various publications and other means.
- Determining fair market prices for these products and services and revising prices in accordance with changing market conditions.
- Monitoring participating NPAs' compliance with 41 U.S.C. 8501-8506, Commission regulations and procedures.
- Assisting Federal agencies to expand procurement from NPAs participating in the AbilityOne Program, and monitoring the compliance of both with Commission regulations and procedures.
- Designating and providing guidance to CNAs that facilitate NPAs' participation in the AbilityOne Program.
- Conducting continuing study and evaluation of mission execution to ensure effective and efficient administration of 41 U.S.C. 8501-8506.

The AbilityOne Program also returns dollars to the U.S. Treasury through its contract close-out initiative which, since 2010, has identified more than \$1 billion for de-obligation.

1.2. Mission and Vision

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

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

That vision will be realized when:

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

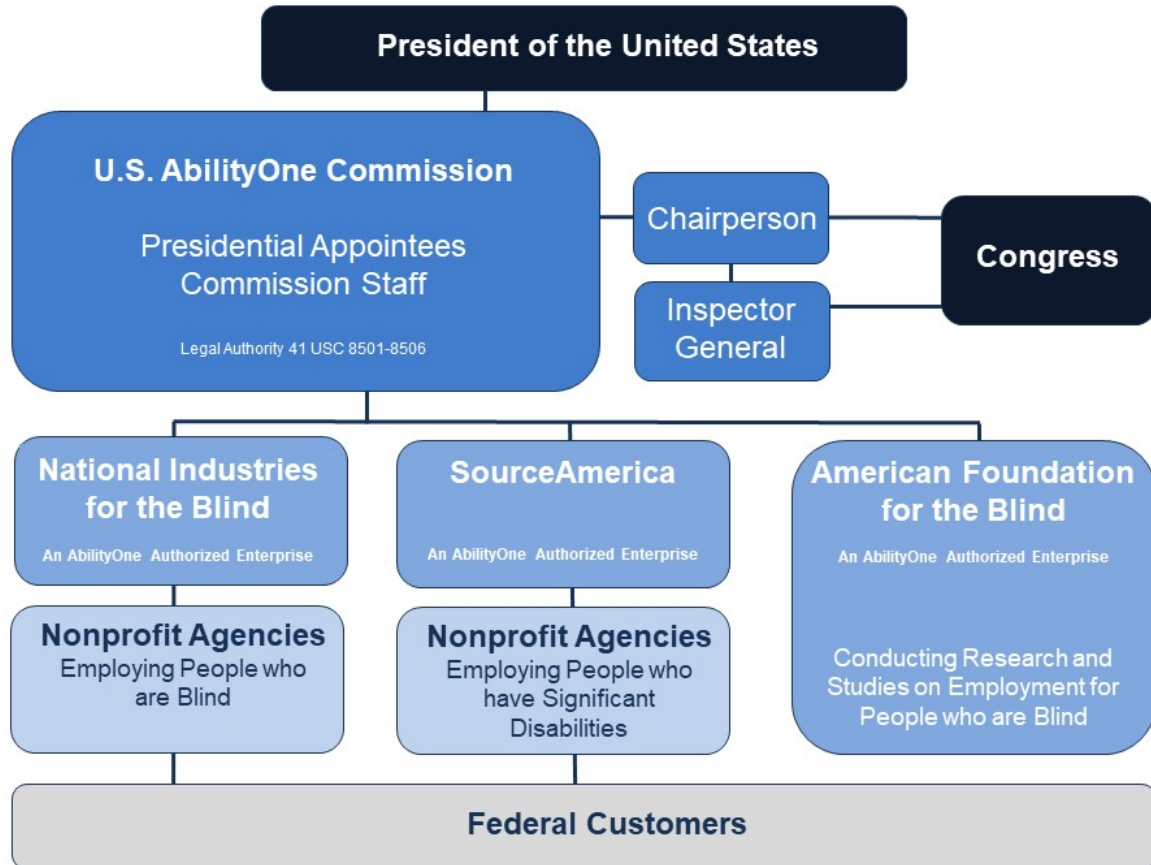
1.3. History

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

1.4. Organizational Structure

The AbilityOne Program is directed by the Commission, which is composed of 15 Presidential appointees. Eleven are members of the Federal Government, representing agencies and departments that purchase products and services on the Program's Procurement List. The remaining four members are private citizens who represent the employment concerns of people who are blind or have significant disabilities. The Commission operates as an independent agency of the Federal Government and is staffed with 32 full-time equivalent (FTE) employees. The Executive Director is a career member of the Senior Executive Service (SES). An Office of Inspector General, established in 2016, operates at a separate location with six employees. The Commission has designated two CNAs, NIB and SourceAmerica, to facilitate the distribution of orders and to assist nonprofit agencies participating in the AbilityOne Program. (A third CNA, American Foundation for the Blind, was designated in 2018 and is currently in a research phase.)

Figure 1. AbilityOne Program Organization



1.5. Commission Members

In FY 2018, the Commission elected Thomas D. Robinson as Chairperson. He is a career member of the SES for the Department of the Air Force. At the same time, the Commission elected Robert T. Kelly, Jr., as Vice Chairperson. Mr. Kelly represents the interests of NPA employees with significant disabilities. A full list of Presidential appointees serving on the U.S. AbilityOne Commission during FY 2018 follows:

** Members who left the Commission during FY 2018*

Thomas D. Robinson (SES)

Chairperson (as of July 2, 2018; previously, Vice Chairperson)

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

Robert T. Kelly, Jr.

Vice Chairperson (as of July 2, 2018)

Representing Nonprofit Agency Employees with Significant Disabilities
Private Citizen

James M. Kesteloot

Chairperson (through July 1, 2018)

Representing Nonprofit Agency Employees who are Blind
Private Citizen

Jan R. Frye* (SES)

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

Anil Lewis*

Representing Employment Concerns of People who are Blind
Private Citizen

Jennifer Sheehy (SES)

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

William A. Sisk (SES)

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

Virna L. Winters (SES)

Director for Acquisition Policy and Oversight, Office of Acquisition Management
U.S. Department of Commerce

RADM Jonathan A. Yuen*

Commander, Naval Supply Systems Command and 47th Chief of Supply Corps
Department of the Navy

1.6. Commission Staff

A career member of the SES serves as the Commission’s Executive Director and Chief Executive Officer. The Executive Director leads the full-time civil service staff in carrying out strategic as well as routine Agency business. The staff handles all day-to-day AbilityOne business operations and prepares the information required by the appointees to make decisions. There were 32 FTEs on staff at the end of FY 2018. Senior leaders are listed below.

Executive Leadership Team

Tina Ballard, Executive Director (SES)

Kimberly M. Zeich, Deputy Executive Director (attending the *Dwight D. Eisenhower School for National Security and Resource Strategy*, at the National Defense University, until June 2018)

Barry S. Lineback, Deputy Executive Director (Acting, August 2017–June 2018)

Kelvin Wood, Chief of Staff

Timi Nickerson Kenealy, General Counsel

Brian P. Hoey, Ph.D., Senior Advisor

Senior Leadership Team

Barry S. Lineback, Director, Oversight and Compliance (through May 2018)

Michael Mack, Acting Director, Oversight and Compliance (as of May 2018)

Amy B. Jensen, Director, Business Operations

Shelly Hammond, Director, Policy and Programs

Gloria Dent, Director, Veterans Employment and Initiatives

Cory Foster, Director, Program Management Office (through July 2018)

Irene Glaeser, Director, Program Management Office (as of August 2018)

1.7. Office of Inspector General

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

Thomas K. Lehrich, Inspector General

Eugene Quinn Jr., Assistant Inspector General for Investigations

Marcos Contreras, Assistant Inspector General for Auditing

Dennis Lockard, Counsel to the Inspector General (through June 2018)

Stefania Pozzi Porter, Investigative Counsel

Zaza Bur, Administrative Officer

1.8. Commission Meetings

In FY 2018, the Commission held meetings as follows:

- October 5, 2017
- January 30, 2018
- July 2, 2018

1.9. Scope of Responsibilities

The AbilityOne Program provides high value to many stakeholders including:

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

The Agency has focused on growing its ability to provide oversight to the CNAs and participating NPAs while continuing efforts to increase the approximately 45,000 jobs created through the program. That number includes approximately 3,000 wounded, ill or injured veterans.² In 2017, the Commission established the Directorate of Veterans Employment and Initiatives to increase employment opportunities and support services for veterans.

1.10. Major Activities

Designating the American Foundation for the Blind as a New CNA

In July 2018, the Commission designated the American Foundation for the Blind (AFB) as an AbilityOne-authorized CNA, a move predicated on the understanding that the new CNA's focus areas would include knowledge-based jobs for people who are blind. AFB became the first new CNA added to the Program since 1974.

Founded in 1921, the mission of AFB is to create a world of no limits for people who are blind or visually impaired. AFB has a long and distinguished history of strategic leadership in the areas of public policy advocacy, publishing, and removing technological and systemic barriers that deny access for people with vision loss. It was the workplace of Helen Keller.

The Commission strongly believes that AFB brings new expertise to the Program at a time when changes in employment trends point to a new direction for AbilityOne jobs. In recent decades,

² Sentence clarified since original publication.

technological developments have transformed the world economy, opening up new opportunities for knowledge work (i.e., work that involves certain kinds of expertise, education or experience, as opposed to work involving physical labor). People who are blind, or have significant disabilities, are fully capable of undertaking—and exceling in—knowledge work.

The new CNA's emphasis on knowledge-based jobs will increase the number and variety of jobs available to people who are blind participating in the AbilityOne Program. It will also increase competitiveness within the Program, and ideally provide Federal customers with more choice in contracting with AbilityOne nonprofit agencies.

AFB's work as a CNA has begun with a phase of research and studies; a second phase will focus on capability development; the third phase will see AFB's transition to full CNA functionality.

Continuing to implement the Commission's Cooperative Agreements with NIB and SourceAmerica signed in June 2016, following the direction issued in the Consolidated Appropriations Act 2016.

The Cooperative Agreements define:

- Governance of the business relationship, roles and responsibilities
- Collection and expenditure of funds
- Performance goals and targets
- Standards and internal controls to prevent waste, fraud and abuse
- Periodic evaluations and audits

The agreements include a feedback channel that allows the CNAs to improve their performance, and outline ways to measure four key performance indicators:

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

Now in place for over two years, the Cooperative Agreements have proved to be invaluable tools in enabling Commission efforts to ensure the CNAs operate efficiently, effectively and with integrity, providing stewardship of taxpayer dollars and jobs for people who are blind or have disabilities. In FY 2018, the Commission continued to focus on refining, streamlining and sharpening the Cooperative Agreements, with an eye to maximizing oversight of the CNAs.

Participating in the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity

In FY 2018, the Commission devoted significant resources to working with the Department of Defense and other entities on this Panel. It meets quarterly to discharge duties across a range of areas including recommending actions related to employment of ill, injured or wounded veterans, as well as other people who are blind or have significant disabilities; eliminate vulnerabilities to waste, fraud, and abuse; explore opportunities for competition among qualified NPAs or CNAs; and recommend changes to business practices, information systems and training.

In July 2018, the Panel submitted its first annual report to Congress, with more than 40 recommendations. The Commission is fully committed to implementing these recommendations.

Participating in the 2017 National Defense Authorization Act Section 846 Panel on Ecommerce

In FY 2018, the Commission attended town hall meetings and other meetings sponsored by the Section 846 Panel and hosted by senior executives from the General Services Administration (GSA), which is the government agency responsible for conducting the panel. The Commission also contributed written input in response to questions posed by GSA, and emphasized that the mandatory nature of the AbilityOne Program must be a key element of any panel outcome. The Commission will continue to actively participate in the 846 Panel in FY 2019.

Continuing to Establish Operations of a Western U.S. Field Office.

As directed by Congress, the Commission established a Western U.S. Field Office in 2017, confident that this long-sought regional office would strengthen oversight of the AbilityOne Program, support Federal customers, and make it possible to respond swiftly and efficiently to performance concerns.

In FY 2018, the Commission made further progress in expanding the office's operational profile. Progress to date includes assigning an experienced Commission senior staff member to lead the office, and allocating two additional positions: compliance inspector and price analyst. Office space was secured at Joint Base Lewis-McChord, in the state of Washington. Additionally, the addition of the Western U.S. Field Office has fostered stronger relationships with local and regional DOD customers of AbilityOne.

The office oversees approximately 112 nonprofit agencies in 14 states – Alaska, Arizona, California, Hawaii, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming – and the territory of Guam.

Continuing to Build the Office of Inspector General

The OIG is an independent office that promotes effectiveness and efficiency in programs and operations, helping to prevent and detect waste, fraud, and abuse, and protect the integrity of the AbilityOne Program, which supplies over \$3 billion in products and services to the Federal Government. To achieve its goals, the OIG conducts audits and investigations and delivers regular reports to Congress. The Commission appointed its first permanent Inspector General in May 2017, and the office was fully operational by the beginning of FY 2018.

In FY 2018, the OIG delivered two semi-annual reports to Congress, as required by the Inspector General Act of 1978. Additionally, the office delivered its first annual report on the “Top Management and Performance Challenges” facing the Commission and AbilityOne Program. This report identified the most pressing challenges as:

- 1) Erosion of statutory program authority (resulting from changes in the Federal procurement landscape since the creation and amendment of the AbilityOne Program’s legal framework);
- 2) Lack of adequate resources;
- 3) Need for enhancements to the Commission’s compliance-assurance system; and
- 4) Lack of an enterprise-wide risk management framework.

The OIG completed an evaluation of the U.S. AbilityOne Commission’s compliance with the Federal Information Security Modernization Act of 2014 (FISMA). The report submitted in December 2017 contained 29 recommendations designed to strengthen the Agency’s IT system.

The OIG’s many other accomplishments during FY 2018 included conducting fraud-awareness training for AbilityOne stakeholders; investigating complaints received via the confidential around-the-clock hotline the office had set up in FY 2017; and providing investigative support for ongoing joint investigations with law enforcement partners.

Continuing to Build the Directorate of Veterans Employment and Initiatives (DVEI).

The Directorate of Veterans Employment and Initiatives (DVEI) was established in 2017 with a mission of connecting veterans who are blind or significantly disabled—particularly those with invisible injuries—to a national network of employers capable of providing support beyond reasonable accommodations.

Strategies for accomplishing this mission include liaising with veterans organizations, Federal agencies, educational institutions and transition programs; participating in disability-outreach symposia and wounded warrior events; operating as a clearinghouse for veterans’ employment-related needs; and working on other fronts to connect veterans who are ready for employment with appropriate opportunities.

The AbilityOne Program has extensive experience providing employment opportunities for people who cope with potentially life-defining challenges. Moreover, the Program’s mission has historically often connected with the goals and people of the U.S. military. For these reasons, AbilityOne is uniquely positioned to address problems that veterans may face in obtaining and maintaining a job.

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

1.11 Fraud Reduction Report

Pursuant to the Fraud Reduction and Data Analytics Act of 2015 (Public Law 114-186, 32 U.S. Code 3321), the U.S. AbilityOne Commission is reporting on its fraud reduction efforts for FY 2018 in three key areas:

1. Implementation of financial and administrative controls

The Commission has built-in separation of duties with a contractual financial, travel, human resources, and procurement services provider at another Federal agency through an interagency agreement, and a second Federal agency for payroll processing. Internally, most financial transactions are prepared by working level staff and are authorized/approved at a higher level.

2. The fraud risk principle in the Standards for Internal Control in the Government (GAO Green Book)

Annually, the Commission completes the independent financial statement auditor's comprehensive fraud, waste and abuse questionnaire. The questionnaire is completed and signed by management. Managers state that they are not aware of allegations of fraud or suspected fraud, and that they understand risks specific to the Commission.

The Commission has a low risk of fraud in these areas:

- **Fraudulent financial reporting risk:** Financial reporting is provided by an authorized, shared financial services provider within the Federal Government. The Agency does not currently have a Chief Financial Officer. All financial reporting, including financial statements and necessary journal entries, is reviewed and approved by the Commission's Chief of Staff and the Director of Contracting and Policy prior to submission to the Office of Management and Budget. The Commission's financial statements are audited annually.
- **Misappropriation of assets:** All assets are recorded in the general ledger, inventoried and tracked in software managed by the Commission. Proper sign out procedures are incorporated for all equipment and property being removed from the property.
- **Waste of government resources and abuse of authority or position:** First, the Commission staff is provided with annual ethics training, and its leadership sets a tone of strong individual integrity. Second, the staff members receive Whistleblower training, with respect to reporting wrongdoing. This information is posted in the headquarters office suite. Third, the Commission has an active and engaged newly-established Office of Inspector General. Finally, the Commission is involved with the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity, including the Subcommittee on Fraud, Waste and Abuse.

3. OMB Circular A-123 with respect to leading practices for managing fraud risk

The Commission has designed and implemented internal controls over major processes to mitigate fraud risk. The Agency utilizes automated time and attendance, procurement, contract payments, and travel and purchase card systems located within other agencies. The Commission reviews the Merchant Category Codes and places appropriate restrictions to prevent and deter unauthorized purchases on both the purchase and the travel cards.

Agency points of contact for purchase and travel cards, as well as the financial services provider, are trained to review supporting documentation and identify any anomalies. For example, the assigned Commission staff reviews all travel receipts for reimbursement before approving travel vouchers.

The Commission's Office of Inspector General (OIG) provided training to the entire Commission and its staff on fraud detection in 2018. The OIG maintains a hotline for individuals to report suspected irregularities and fraud for further evaluation and action.

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

2.1. Strategic Goals Overview

Four overarching strategic goals are guiding the work of the Commission and key AbilityOne Program stakeholders for the performance period FY 2018-2022. These goals, listed below, are the cornerstones supporting mission execution and performance excellence, and pertain to all participants in the AbilityOne Program. The Commission is responsible for the direction and oversight of the Program, and monitors implementation of the Strategic Plan. The CNAs and NPAs play essential parts in achieving the strategic goals.

Goal 1. Effective Stewardship

The Commission has the ultimate responsibility for the integrity, effectiveness and overall stewardship of the AbilityOne Program. Stewardship includes oversight responsibilities related to monitoring and achieving compliance with statutory, regulatory and other requirements by all NPAs participating in the AbilityOne Program. The Commission continues to reinforce program stewardship through its ongoing implementation and execution of the Cooperative Agreements signed with NIB and SourceAmerica in FY 2016, as well as with the build-up of the OIG.

Goal 2. Employee and Customer Satisfaction

To truly empower an individual, employment must provide both personal satisfaction and income. The Commission emphasizes and fosters employee satisfaction, particularly through its Quality Work Environment initiative, and tracks results. While employee satisfaction is vital in its own right, it is also a driver of the second and equally important facet of this goal – customer satisfaction. Ensuring excellent customer service earns the loyalty and support of Federal customers and is essential to fulfilling the employment mission of the AbilityOne Program.

Goal 3. Employment Growth

Employment growth is the most critical goal in the AbilityOne mission. While the AbilityOne Program currently provides employment to approximately 45,000 individuals, there are still millions of Americans who are blind or have significant disabilities who are currently unemployed or underemployed. Since these individuals could benefit from the AbilityOne Program, it is essential to grow a wide variety of job opportunities by expanding existing products and lines of business, and by developing new markets in which the AbilityOne Program's target population wants to work and receive training.

Goal 4. Business Excellence

As the Agency responsible for administering the AbilityOne Program, the Commission must execute business processes directly linked to key stakeholders and the employment mission. Three primary business processes that require attention, resources and coordination across Federal agencies are the (1) Procurement List (PL) addition end-to-end process, (2) fair market pricing (FMP) end-to-end process, and (3) aligning CNA resources to performance.

2.2. Effective Stewardship

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

Continuing to implement the Cooperative Agreements with the CNAs, the Commission intensified CNA oversight throughout FY 2018. Implementing these agreements requires focus on metrics, targets and outcomes pertaining to CNA performance. The Cooperative Agreements are posted on the Commission's public website to provide transparency for AbilityOne stakeholders.

The Cooperative Agreements signed in 2016 have proved to be invaluable tools for Commission oversight of NIB and SourceAmerica, providing a degree of enforceable authority essential for effective administration of the program. The Cooperative Agreement with AFB, signed in July 2018, provides oversight for that CNA, which is currently in an initial phase of research and studies until 2020.

The central challenges of implementing the Cooperative Agreements with NIB and SourceAmerica are:

- 1) The CNAs are not paid directly by the Government for their services, but receive a small fee remitted by the NPAs after the latter are paid by the Government for the delivery of AbilityOne products or services. This funding model limits the Commission's direct oversight of the CNAs' expenditures, and limits the Commission's ability to create positive financial incentives such as award fees for exceptional performance.
- 2) Since the Cooperative Agreements signed in 2016 created an unprecedented degree of definition for requirements, key expectations, performance standards and quality assurance, they must be continually reviewed, revised and refined based on lessons learned and best practices developed.

The Commission's Program Management Office (PMO) plays a critical role in advancing the Effective Stewardship goal because the PMO implements and executes the Cooperative Agreements with the CNAs. In FY 2018, the PMO staff:

- Led the Commission's internal Cooperative Agreement Task Force to decide how to best manage and refine deliverables.
- Monitored CNA performance on Key Performance Indicators.
- Developed, reviewed and finalized AbilityOne training content for the Defense Acquisition University (DAU) CON 090 class (CLM 023) on the AbilityOne Program.
- Led monthly PMO meetings with the CNAs to review and resolve issues of concern.
- Led a bottom-up review of all Cooperative Agreement deliverables to streamline requirements and increase efficiency

Strategic Objective 2.2.1.

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

The Commission requires all AbilityOne-participating NPAs to comply with its statutory and regulatory requirements to maintain qualification and eligibility to participate in the program. There is no acceptable level of noncompliance. However, AbilityOne participants are afforded the opportunity to complete a corrective action plan to remediate deficiencies. If an NPA is out of compliance, the consequences include placing NPAs on probation, requiring NPAs to make in-person reports to the Commission, suspending NPAs from consideration for AbilityOne work opportunities, and removing NPA eligibility to participate in AbilityOne.

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

The first measure of this objective has a very clear performance indicator -- the number and percentage of NPAs found in compliance with the statutory requirement to have 75 percent or more of all direct labor hours performed by people who are blind or have significant disabilities. Compliance with this requirement is based on an NPA’s cumulative data for the fiscal year, which is certified by the NPA and reported to the appropriate CNA before it is submitted to the Commission.

NPAs were in compliance with the direct labor hour ratio requirements of the AbilityOne Program’s enabling legislation 97 percent of the time, according to the most recent year-end data from FY 2017. Every NPA in the AbilityOne Program must submit annual Representations and Certifications attesting to their compliance with the appropriate statutory and regulatory requirements. At the end of FY 2017, only 15 of the 511 participating NPAs were out of compliance with the AbilityOne Program’s 75 percent direct labor hour ratio requirement.

	<i>FY 2013 Results</i>	<i>FY 2014 Results</i>	<i>FY 2015 Results</i>	<i>FY 2016 Results</i>	<i>FY 2017 Results</i>
Nonprofits in Compliance	552/579	541/565	528/549	521/543	496/511
Percentage (Target 100%)	95.34%	95.75%	96.17%	95.95% ³	97.06%

Table 1. Five-Year Results for AbilityOne NPA Direct Labor Hour Ratio Compliance.

³ Percentage adjusted since original publication.

The Commission analyzed the reasons for the NPAs' failure to comply with the direct labor hour ratio requirement in FY 2017. It found that the most frequent occurrences of noncompliance were related to Individual Eligibility Evaluation (IEE) forms not being correctly filled out in the individual's personal file. The IEE form is a critical part of the Commission's process for determining that an individual meets the statutory definition of a "person with a significant disability." The IEE details an individual's barriers to obtaining and maintaining competitive employment, and lists the supports and services required by the individual to be successful in AbilityOne employment. Without a proper IEE form in the NPA's records, an individual's hours may not be counted among those of persons with significant disabilities in the direct labor ratio.

The Commission and the CNAs also reviewed the NPAs' compliance with other regulatory requirements and assigned corrective action as necessary. Finally, the Commission monitored the percentage of deficiencies corrected either during or after its compliance reviews. To remain in the AbilityOne Program, all NPAs found to be out of compliance were required by the Commission to submit corrective action plans. These plans were reviewed by the compliance staff to ensure adequacy, then monitored on a quarterly basis. No NPAs were removed from the program in FY 2017 for uncorrected noncompliance.

Strategic Objective 2.2.2.

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

The second performance indicator speaks to the benefits the Commission attributes to conducting thorough, on-site compliance inspections, or in the absence of a Commission inspection, having the CNAs conduct regulatory assistance visits in accordance with the Commission's guidance. From FY 2010 to FY 2016, the Commission staff completed nearly 500 NPA on-site reviews, reaching more than 80 percent of all AbilityOne NPAs. The Commission also began conducting virtual compliance inspections during this period, to further extend the Agency's reach.

Once the 2016 Cooperative Agreements were established with the Commission's two existing CNAs, the latter significantly increased the frequency of their regulatory assistance visits. During FY 2017, more than 400 NPAs received either an inspection by the Commission staff or a regulatory assistance review by the appropriate CNA. As the CNAs have substantially more staff and resources than the Commission, the CNAs completed the majority of such on-site reviews.

As the compliance transformation process continued into FY 2018, the Commission staff continued to provide training sessions – often through distance learning methods – and provided one-on-one guidance to NPAs. The training's fundamental purpose is to increase NPAs' awareness and understanding of the requirements that must be met to achieve full compliance. The Commission also evaluated, and provided training for, the CNAs' regulatory review process.

2.3. Employee and Customer Satisfaction

The AbilityOne Program's Strategic Plan reflects a core goal to achieve AbilityOne employee satisfaction alongside Federal customer satisfaction. Employee satisfaction demonstrates that the quality of AbilityOne employment is as important as the quantity of AbilityOne jobs created and sustained. Many studies show that employee satisfaction is a prerequisite to providing outstanding customer service, so the elements of this goal reinforce each other. Enhancing employee satisfaction in turn enhances customer satisfaction, which in turn leads to additional employment opportunities for the AbilityOne Program.

Strategic Objective 2.3.1.

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

The central metric for this objective is the AbilityOne Program's Quality Work Environment (QWE) initiative, launched in 2010 to improve the experience and satisfaction of all employees at AbilityOne-participating nonprofit agencies with an emphasis on people who are blind or have significant disabilities.

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

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

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

Continuing the QWE initiative roll-out remains a top priority for the Commission. QWE focuses on four key areas that correlate with AbilityOne employee satisfaction: (1) increasing wages through increased productivity, (2) providing navigation to supports, services and training, (3) articulating a defined career ladder for employees, and defining steps to climb the ladder, and (4) ensuring an integrated, engaging workplace culture. NPAs that adopt the QWE initiative first conduct self-assessments using the AbilityOne standardized survey, then create and implement action plans, making periodic reports to their CNAs.

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

The Commission established an end goal of full participation in the QWE initiative across the AbilityOne Program. The annual targets and measures have evolved from the percentage of NPAs participating to the percentage of AbilityOne *employees* participating in QWE. QWE is a voluntary program, and participation levels rose to **85 percent** of employees working on AbilityOne contracts at the end of FY 2018. Reaching the final 15 percent of AbilityOne employees will require a high adoption rate among the remaining, often smaller NPAs to move the needle.

Strategic Objective 2.3.2.

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

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

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

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

In an initiative likely to improve Federal customer satisfaction, the Commission has nearly completed the process of updating its pricing manuals, as well as evaluating all Commission pricing policies, memoranda and procedures.

2.4. Employment Growth

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

diminish AbilityOne job opportunities by purchasing alternative products or services. Additionally, the designation of AFB as a new CNA represents the Commission’s determination to create new knowledge-work jobs for people who are blind or have disabilities.

Strategic Objective 2.4.1.

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

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

The business environment in FY 2017 was challenging for the AbilityOne Program. Among the brighter spots was the number of promotions into supervisory and non-supervisory positions, which increased 4.33 percent across the NPAs in the Program. Likewise, the Program reached a new high for total wages paid to people who are blind or have significant disabilities, reflected in the table below. However, the total direct labor hours worked by people who are blind or have significant disabilities were relatively flat, as were Program sales. More concerning, approximately five percent (5%) fewer employees worked on AbilityOne contracts in FY 2017.

	FY 2016	FY 2017	% Change
Direct Labor Hours	47,352,402	46,935,026	-0.88%
Employees	46,161	43,831	-5.05%
Promotions	1,477	1,541	4.33%
Wages	\$616.2M	\$626.2M	1.6%
Sales	\$3,333,592,316	\$3,345,304,577	0.35%

Table 2. AbilityOne Program Employment Data through September 30, 2017.⁴

The Cooperative Agreements entered into with the AbilityOne Program’s existing CNAs in 2016 required each to submit Employment Growth Plans and quarterly updates. The Commission is working with the CNAs and with key AbilityOne Program customers to seek new product or service opportunities to add to the AbilityOne Program. Additions to the AbilityOne Procurement List are the lifeblood of employment growth, as they translate into direct labor hours in the following years.

⁴ FY 2017 wages and sales, and percentage change, have been adjusted since original publication.

Products added to the Procurement List in FY 2018 include:

- Post mortem bags
- Ergonomic accessories - back rests; monitor stands; foot rests
- Storage cabinets and shelves
- Rice, brown, parboiled, long grain
- Evidence collection & detainee processing kits
- Parts kits, diesel engine hydraulic transmission
- Portable power packs
- Folding LED work lights with hook and magnet
- Fuel handlers coveralls
- Refrigeration tool kits
- PC keyboards

Services added to the Procurement List in FY 2018 include:

- Warehousing, assembly and kitting, and other services, Tennessee Air National Guard
- Janitorial/custodial services, USGS, Wetland & Aquatic Research Center, Lafayette, LA
- Mail management and support, Navy, Philadelphia & Mechanicsburg, PA
- Janitorial services, Forest Service, Bridger-Teton National Forest Supervisor's Office, WY
- Grounds maintenance, NAVFAC, outlying areas, Camp LeJeune, NC
- Grounds services, U.S. Coast Guard Station, Atlantic City, NJ
- Mail and supply center operations, DARPA, Arlington, VA
- Custodial and related services, FDA Forensic Chemistry Center, Cincinnati, OH
- Document scanning and records management, USN, Military Sealift Command, Norfolk, VA
- Storage and warehousing, FLCN, U.S. Naval Academy, Annapolis, MD
- Mail services, Bureau of Engraving & Printing, Washington, DC
- Vehicle maintenance facility operation, DOS, FASTC, Fort Pickett, Blackstone, VA
- Tool and MRO sourcing and fulfillment services, U.S. Property & Fiscal Office, CT
- Furniture design, configuration and installation Svc, USPFO CT, NGB, Nat'l Guard Armory, Hartford, CT
- Document destruction, DLA, DSCC, Columbus, OH

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

Strategic Objective 2.4.2.

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

This objective pertains to education and outreach, particularly by members of the Commission, to inform Federal employees about the benefits of the AbilityOne Program and to increase AbilityOne utilization. Advocacy, in this context, means working to ensure that Federal agencies comply with the AbilityOne mandatory source requirements and do not purchase substitute items which detract from AbilityOne employment. At the same time, advocacy includes establishing

strategic alliances with other Federal agencies and commercial business partners, to expand awareness of the AbilityOne mission and its workforce's capability.

In FY 2017, the Commission has demonstrated its support for the AbilityOne Program's mandatory source status by implementing an updated policy and procedure to more closely monitor the sales of commercial distributors of AbilityOne products. As of the end of FY 2018, the percentage of "leakage" or sale of products that are essentially the same as AbilityOne products decreased substantially, from approximately ten (10) percent leakage within certain Government sales channels to less than three (3) percent. Ensuring that AbilityOne products are purchased whenever they are required helps to sustain the manufacturing and packaging-related jobs in the AbilityOne Program.

The Commission's Government members are senior leaders within Federal agencies in areas such as procurement, finance, logistics, or vocational rehabilitation (see listing in Section 1.5). As such, they are in prominent positions to communicate within their agencies about the benefits of the AbilityOne Program and to encourage its support. For example, with leadership from Chairperson Thomas D. Robinson, the Air Force has convened a group of AbilityOne Representatives ("ABORs") across the various Air Force commands to identify opportunities that may be suitable for the AbilityOne Program. The Commission's private citizen members are well respected in the broader disability community and perform advocacy there, to facilitate communication opportunities for AbilityOne participants and other public policy thought leaders.

2.5. Business Excellence

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

Strategic Objective 2.5.1.

Improve the Procurement List end-to-end process.

In an effort to improve the Procurement List end-to-end process, the Commission has been updating the manuals for its Procurement List Information Management System (PLIMS). The Commission has collaborated with the CNAs on this project, which started in FY 2017 and advanced significantly in FY 2018. The updated manuals will provide clearer guidance on what information the CNAs need to provide when adding products and services to the Procurement List. This improved guidance should reduce the number of submissions that arrive with errors or incomplete information, causing a delay in project finalization. The updated manuals will thus help smooth and streamline the Procurement List end-to-end process.

Strategic Objective 2.5.2.

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

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

In FY 2018, as part of its efforts to increase transparency of AbilityOne pricing, the Commission continued to revise its pricing procedures. Several key revisions are now nearly complete. The Commission has been notified by many of its customers of projected or actual budget reductions in the coming years. Within the AbilityOne Program, our continuing task is to determine ways to reduce the cost of the program, particularly to reduce the price of AbilityOne products and services to our customers, while ensuring that we do everything possible to protect the employment of people who are blind or have significant disabilities.

Strategic Objective 2.5.3.

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

This objective pertains to Commission oversight and evaluation of the CNAs’ use of resources. The CNAs are private entities, and are not funded by appropriation, but instead they receive a Program Fee of nearly 4 percent of AbilityOne Program sales. The authority for the CNAs to collect a fee was initially established in the Commission’s regulation at 41 C.F.R. 51-3.5.

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

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

The Cooperative Agreements signed in 2016 address roles and responsibilities, performance, reporting and the collection of program fees. The Cooperative Agreements also specify unallowable costs and link fee collection to performance. Through the Cooperative Agreements’ Performance Work Statements and Quality Assurance Surveillance Plans, the Commission will have more robust oversight of the CNAs’ duties and outcomes.

Fee ceilings for FY 2018 were 3.9 percent for NIB and 3.85 percent for SourceAmerica. (AFB is currently in a research phase and is not collecting Program Fees.) The current fee provides more than \$100 million annually in combined revenue to the CNAs, which collectively have more than \$100 million in reserves and assets.

The 2019 fee ceiling will be based on CNA performance in accordance with the Cooperative Agreements. Additionally, CNA performance will be informed by Commission staff reviews, reviews by the OIG, and other reports or findings relevant to the agreements, JWOD Act, regulations and policy.

Section 3: Other Information

3.1. Major Management Priorities, Challenges and Risks

These overarching management priorities and challenges were foremost during FY 2018 (for further details of related activities, see section 1.9., Scope of Responsibilities, in this report):

- 1) Continuing to implement the Commission's Cooperative Agreements with NIB and SourceAmerica. Specific challenges include:
 - As the first binding agreement between the parties in nearly 80 years, this much-needed change was unprecedented.
 - In FY 2017, the Agency had one program manager, a deputy program manager and one contracting officer to oversee the much larger CNAs' performance, across 550 nonprofit agencies and more than \$3.3 billion in sales to the Government.
 - From training and application of new business practices to continuing the core business processes, the Commission staff of 32 employees is managing a process governed by these bilateral agreements, while dealing with numerous priorities.

Risks posed by these challenges include:

- Vulnerability to fraud, waste or abuse.
- Continuing stagnation of employment growth.
- Potential loss of Federal agency/customer confidence in the AbilityOne Program.
- Potential reduction of the existing jobs of people who are blind and or have significant disabilities in the AbilityOne Program.

- 2) Participating in the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity; Defense Acquisition University Training. Related challenges for the Commission include:
 - Limited capacity.
 - Workload priorities that must be reassessed and reassigned to actively participate in developing recommendations that will shape the future of the program.
 - Strict requirements for implementing recommendations.
 - Shifting priorities and the need for changing personnel skills and staff as the Commission implements the recommendations.
- 3) Increasing the capability and capacity of the Agency's Western U.S. Field Office.
- 4) Increasing the capacity of the Office of Inspector General.
- 5) Continuing to expand the Directorate of Veterans Employment and Initiatives, created in FY 2017 to meet the employment needs of service members who are blind or have significant disabilities. Much like the AbilityOne Program's traditional target population, this group has higher unemployment than the general population.

3.2. Cross-Agency Collaborations

Without question, the most significant cross agency collaboration in FY 2018 was the Commission's work with the National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity; and in particular, the joint efforts to update pertinent Defense Acquisition University (DAU) Training. The Commission is devoting major portions of its limited resources to the panel to ensure that the stakeholders involved receive the support this effort requires. In July 2018, the Panel submitted its first annual report to Congress, with more than 40 recommendations, which the Commission is fully committed to implementing.

The 2017 NDAA Section 898's requirements for updated DAU Training reinforce the Commission's longtime partnership with DAU. The Commission and DAU already have a Memorandum of Agreement that provides access to DAU contracting courses for Commission staff and AbilityOne employees who are blind or have significant disabilities. This agreement has enabled more than 200 individuals who are blind or have significant disabilities, including 32 wounded warriors or service-disabled veterans, to become trained and prepared for employment in contract closeout activities. DAU has worked closely with NIB to ensure full accessibility of the course materials for students who are blind or have visual impairments.

Beyond the panel, the Commission itself is a cross agency collaboration, as appointees from 11 different Federal agencies come together to determine how to increase employment for people

who are blind or have significant disabilities through the delivery of products and services to the government.

3.3. Evidence Building (Research and Evaluation)

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

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

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

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

3.4. Data Validation and Verification

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

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

3.5. Lower Priority Program Activities

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

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

Regarding financial data, the Agency uses independent auditors to provide an unmodified opinion on its financial statements for FY 2018 and on its internal control over financial reporting. All detailed performance and financial information in the Commission's Financial Statements and Independent Auditor's Report is complete and reliable, and meets the Agency's high standards for accuracy and transparency (see Appendix II).

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

3.7 Conclusion

Since its inception 80 years ago, what is now known as the U.S. AbilityOne Commission has carried out a unique mission, linking together government and private-sector resources to administer what is now called the AbilityOne Program. Approximately 45,000 people who are blind or have significant disabilities rely on AbilityOne not only for employment, and the economic benefits that a job brings, but also for the quality-of-life that work creates in their lives. At the same time, Federal departments and agencies rely on the program for high-quality, often mission-critical products and services.

The Commission is experiencing a period of transformation and improvement as it continues to broaden and strengthen its oversight of the AbilityOne Program. The Cooperative Agreements with the CNAs (NIB, SourceAmerica and AFB) and the NDAA Section 898 Panel are each setting standards, providing information and establishing guidance that create greater transparency in business practices while increasing the Commission's ability to do its job.

The development of the Western U.S. Field Office, similarly, advances the Commission's oversight work. It puts "boots on the ground" to ensure compliance with program requirements, assessing and aiding NPAs in this endeavor, and working with Federal agencies to develop and assess NPA contract pricing and performance.

Throughout this transformative period, the Commission is continuing to focus on an essential goal: creating and maintaining jobs for people who are blind or have significant disabilities. Through its Directorate of Veterans Employment and Initiatives, the Commission is increasing its outreach to veterans who could benefit from the program's employment and work-support resources. And with the designation of AFB as a new CNA, the Commission is seeking to add 21st-century knowledge-based jobs to its employment toolbox.

The Commission has made significant progress in these areas in FY 2018. It will continue its unwavering focus on oversight, accountability, transparency and increasing jobs as the journey into FY 2019 and beyond continues.

Appendix I – Top Management and Performance Challenges

The Inspector General for the Commission for Purchase From People Who Are Blind or Severely Disabled (operating as the U.S. AbilityOne Commission) issues an annual Top Management and Performance Challenges Report. In accordance with the Reports Consolidation Act of 2000 (P.L. 106-531), this report is follows as part of the Agency Performance and Accountability Report (PAR) for FY 2018.



Office of Inspector General

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December 21, 2018

MEMORANDUM

FOR: Thomas D. Robinson
Chairperson
U.S. AbilityOne Commission

Tina Ballard
Executive Director

FROM: Thomas K. Lehrich
Inspector General

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

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission), for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year 2018.

The Commission designates Central Nonprofit Agencies (CNAs) to facilitate the employment of people who are blind or have significant disabilities and the dynamics of the CNAs in the program is changing and growing. Our report reflects on, and seeks to assist in, this challenging environment. We met with Commission leadership to gain their perspective on the challenge areas and received feedback and technical comments from managers and the Agency's business units. In this year's Top Management and Performance Challenges Report, we introduce two new challenges. They are related to transparency and implementation of the cooperative agreements, given CNA growth. We discuss progress on the four challenges reported last year and the continued efforts by Agency leadership to address them.

Thank you for your strong support of our work, and we look forward to working with the Commission and AbilityOne stakeholders as the OIG continues its oversight mission.

Enclosure: Top Management and Performance Challenges Report

cc: Kimberly M. Zeich
Deputy Executive Director

Kelvin Wood
Chief of Staff

Top Management and Performance Challenges Report

Introduction

In accordance with the Reports Consolidation Act of 2000 (P.L. 106-531), the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission), for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year 2018.

The identified challenge areas reflect continuing and emerging issues facing the AbilityOne Program. Each challenge area is connected to the Commission's mission to provide employment opportunities in the manufacture and delivery of products and services to the Federal Government of the United States for people who are blind or have significant disabilities.

The OIG identified the top management and performance challenges (TMPC) for fiscal year (FY) 2018 as:

- Erosion of Statutory Program Authority
- Higher Level of Transparency Needed to Enhance Program Confidence
- Implementation of Cooperative Agreements given Central Nonprofit Agencies (CNA) Growth
- Lack of Adequate Resources Impacts Program Effectiveness
- Establishing an Enterprise-wide Risk Management Framework
- Enhancement of Program Compliance

The topics discussed in the report encompass multiple challenge areas and attest to the complex nature of the AbilityOne Program. In this report, we are adding transparency (needed to enhance program confidence) and the implementation of cooperative agreements as new challenges for the AbilityOne Program.

This report is based on OIG views and the 2013 U.S. Government Accountability Office (GAO) review of the AbilityOne Program, as well as other reports, and our knowledge of the AbilityOne programs and operations. The OIG met with the Commission leadership to learn their perspective on the challenge areas. The OIG analysis considers the accomplishments the Commission reported as of September 30, 2018. We also received input on the challenges to the program from the CNAs and Congress.

In addition, the Council of Inspectors General on Integrity and Efficiency (CIGIE) reported on consolidated challenges affecting federal IGs in 2017 across government, and the Commission was referenced among the 61 OIG reports that CIGIE considered. The CIGIE report referenced the Commission's challenges in terms of funding and staffing as a Human Capital Management challenge, and training under the Procurement Management challenge. The CIGIE report afforded the Commission broader exposure and visibility on its resource challenges for the administration of the complex AbilityOne Program.

Background

Enacted in 1938, the Wagner-O'Day Act established the Committee on Purchases of Blind-Made Products to provide employment opportunities for the blind. Legislation sponsored by Senator Jacob K. Javits was signed in 1971, amending and expanding the Wagner-O'Day Act to include persons with other severe disabilities. The Act, as amended, became known as the Javits-Wagner-O'Day (JWOD) Act (41 U.S.C. §§ 8501-8506) and the program's name became the JWOD Program. The 1971 amendments also established the federal agency as the Committee for Purchase From People Who Are Blind or Severely Disabled (CPPBSD) to reflect the expanded capabilities of the JWOD Program. In 2006, CPPBSD changed the program's name from the JWOD Program to the AbilityOne Program. Additionally, in 2011, the CPPBSD began operating as the U.S. AbilityOne Commission.

By statute, the Commission is composed of fifteen Presidential appointees: eleven representing federal agencies and four serving as private citizens coming from the blind and disabled community, bringing their knowledge about employment of people who are blind or have significant disabilities. Currently, in the composition of the Commission's fifteen Presidential appointees there are nine vacancies: seven federal agencies and two private citizens. The Commission has 27 full-time employees for the administration of the AbilityOne Program. The Program is a source of employment for approximately 46,000 people who are blind or have significant disabilities through contracts with more than 550 nonprofit agencies (NPAs) across all fifty states and U.S. territories. The Commission administers contracts for more than \$3.3 billion in products and services to the federal government annually through the AbilityOne Program.

The Commission designates CNAs to facilitate the employment of people who are blind or have significant disabilities. The dynamics of the CNAs in the program are changing and growing. The Commission administers the AbilityOne Program with the assistance of two CNAs,¹ the National Industries for the Blind (NIB), established in 1938, and SourceAmerica, established in 1974. On July 26, 2018, the Commission designated the American Foundation for the Blind (AFB), as a third CNA. Figure 1 below shows the AbilityOne structure.

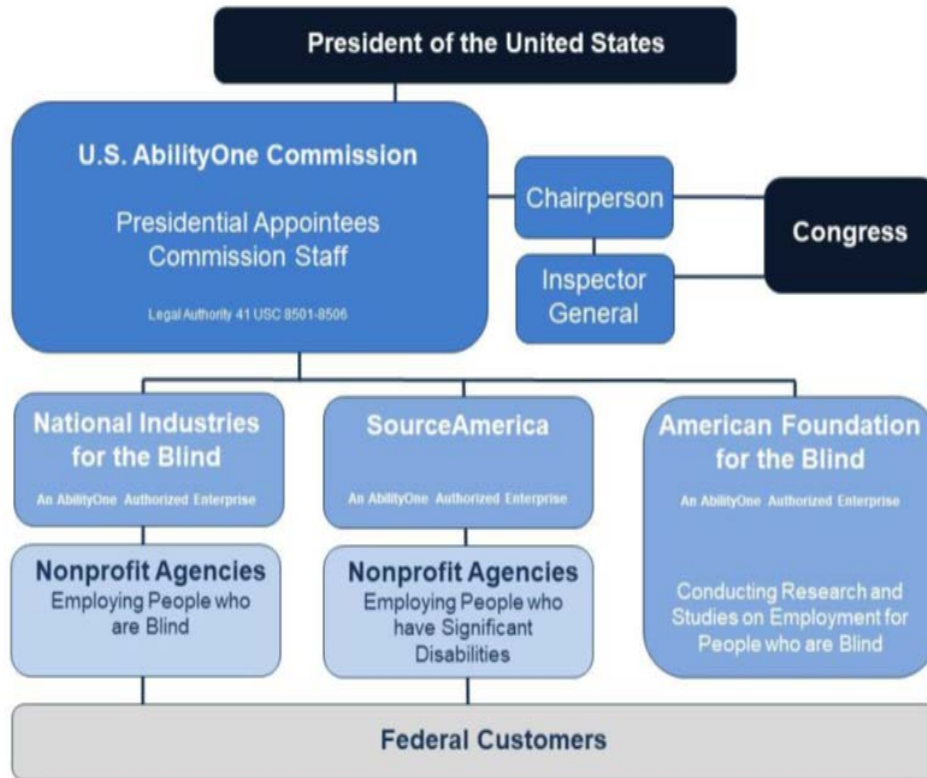
AFB has not yet begun fully operating as a CNA and has not been authorized by the Commission to charge or collect fees from NPAs. AFB does join NIB and SourceAmerica as a Commission-designated CNA, but they will begin with an initial 18-month period of research and studies per the Cooperative Agreement between them and 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 Commission is ultimately responsible for the administration of the \$3.3 billion worth of contracts between the NPAs and the federal government. Stakeholders expect greater program integrity, efficiency, accountability, and transparency of government operations. The OIG will continue to report on management progress to address the challenges discussed in this report, and to promote the benefits of an open and transparent culture, ultimately leading to a more resilient AbilityOne Program.

¹ 41 CFR Chapter 51-3.

Figure 1:

AbilityOne Program Organization



Management Challenge 1: Erosion of Statutory Program Authority

Why This Is a Challenge

The challenge of program erosion is at a pivotal stage. Last year, we first presented the concept of erosion of statutory program authority as a challenge, after observing that the Agency is confronted with program encroachment. The legal framework for the AbilityOne Program was created in 1938 and amended in 1971. Since that time, Congress has enacted, and agencies have implemented, multiple acquisition reform laws designed to modernize the way that government agencies buy goods and services. Specifically, several new laws passed to ensure our Nation's disabled veterans have expanded opportunities in federal government acquisitions. However, some of these laws are in conflict with the statutory authority of the AbilityOne Program.

Congress passed the Veterans Entrepreneurship and Small Business Development Act in 1999, the Veterans Benefits Act (VBA) in 2003, and in 2006 it approved the Veterans Benefits, Health Care, and Information Technology Act which removed important language from the VBA of

2003, intended to preserve the mandatory sourcing requirement of AbilityOne Program. Each of these laws established procedures related to service-disabled veteran-owned business procurement goals and requirements, but the VBA of 2006 created problems with JWOD supremacy. While the removal of such language doesn't by itself nullify the mandatory priority of the JWOD Act, it challenges the Program by antagonizing what Congress contemplated for the Act's jurisdiction as applied to the Department of Veterans Affairs (VA). Executive Order 13360 increased federal contracting and subcontracting opportunities for service-disabled veteran businesses to the detriment of AbilityOne Program participants. The creation of multiple initiatives that are in competition with each other makes it difficult for contracting officers to navigate compliance, due to conflicting regulations. Recent court challenges further demonstrate the confusion as to how AbilityOne Program rules should be interpreted and implemented.

1. PDS Consultants – the “Rule of Two” analysis

In *Kingdomware Technologies, Inc. v. United States*, 136 S.Ct. 1969 (2016), the Supreme Court held that VA contracting officers are required to give veteran-owned small businesses (VOSBs) procurement priority when there is a “reasonable expectation” that two or more VOSBs will bid on the contract “at a fair and reasonable price that offers best value to the United States” (*See* Veterans Benefits Act of 2006, 38 U.S.C. § 8127(d)). This is known as the “Rule of Two” analysis. The Court also held that this analysis was required regardless of whether the VA had already met its annual minimum VOSB contracting goals.²

PDS Consultants, Inc. (PDS) alleged in the Court of Federal Claims that the VA improperly implemented the Veterans Benefits, Health Care, and Information Technology Act of 2006 (VBA of 2006)³ mandate when it revised its contracting rules in an attempt to comply with the Supreme Court ruling in *Kingdomware* while remaining compliant with the JWOD Act.⁴

In *PDS*, the VA awarded a contract to a qualified NPA provider on the AbilityOne Procurement List without first employing the VBA's “Rule of Two” analysis. The VA did so because it believed that *Kingdomware* could be distinguished as applying only to competitive contracts and that JWOD procurements were non-competitive. The VA further believed that the mandatory nature of the VBA's “Rule of Two” applied only to new contracts and that here it was merely renewing a contract that existed prior to the VA's 2010 implementation of the VBA of 2006. The Court of Federal Claims disagreed with the VA, holding that the VA must conduct a “Rule of Two” analysis for all new procurement contracts before treating the AbilityOne Procurement List as a mandatory source pursuant to the JWOD Act. The Court held that because the VBA of 2006 applied only to the VA's procurements, the VBA was a more specific statute than the JWOD Act's broad application government-wide, and thus the VBA would take precedence, regardless of the existence of a prior contract with a Procurement List contractor.

On September 1, 2017, the Court of Federal Claims stayed its decision in *PDS* pending appeal to the United States Court of Appeals for the Federal Circuit in order to resolve the issue of whether the court properly interpreted the interplay between the VBA and JWOD Act. Oral argument at

² *Kingdomware Technologies, Inc. v. United States*, 136 S.Ct. 1969 (2016).

³ 38 U.S.C. §§ 8127, 8128.

⁴ *PDS Consultants, Inc. v. United States*, 132 Fed. Cl. 117 (Fed. Cl. 2017).

the Federal Circuit took place on September 4, 2018 and a final opinion was issued on October 17, 2018.

The United States Court of Appeals for the Federal Circuit (CAFC) affirmed the lower court's decision in favor of PDS.⁵ The CAFC held that *Kingdomware* “requires the [VA] to apply the Rule of Two to all contracting determinations,”⁶ and essentially requires that the VA compete all contracts where “the contracting officer has a reasonable expectation that two or more small business concerns owned and controlled by veterans will submit offers and that the award can be made at a fair and reasonable price that offers best value to the United States” before a mandatory source determination is made (by checking whether an item is on the AbilityOne Procurement List).⁷

To reconcile the competing provisions, the court relied on the “basic tenant of statutory construction . . . that a specific statute takes precedence over a more general one” and “when two statutes conflict, the later-enacted statute controls.”⁸ The court held that “while the JWOD applies to all agencies of the federal government, the VBA applies only to VA procurements and only when the Rule of Two is satisfied.”⁹ Additionally, the court explained that “we assume that Congress was aware that it wrote an exception into the agency-wide Veterans Benefits Act in 2003 [expressly retaining JWOD’s primacy over the VBA] when it left that very same exception out of the VBA only three years later.”¹⁰

This decision in favor of PDS Consultants, Inc. will have a negative impact on the AbilityOne Program and Federal Acquisition Regulation Part 8 Mandatory procurement sources as applied to the VA. The decision may set a precedent for interpreting similar language in other statutes that may also impact the mandatory priority of the JWOD Act without express Congressional intent to do so.

2. Randolph-Sheppard Act

The Randolph-Sheppard Act (RSA) was passed in 1936 and amended in 1954 and 1974.¹¹ Its implementation has been in conflict with the JWOD Act for at least two decades. “The RSA was enacted to provide blind persons with remunerative employment, enlarge their economic opportunities, and encourage their self-support through the operation of vending facilities in federal buildings. The U.S. Department of Education prescribes regulations, as set forth in 34 CFR, Part 395, implementing the Act as amended (See 41 CFR 101-20.2).”¹²

Under the Randolph Sheppard Vending Facility Program, “state licensing agencies recruit, train, license, and place individuals who are blind as operators of vending facilities located on federal

⁵ *PDS Consultants, Inc. v. United States*, Court of Appeals for the Federal Circuit (decided Oct. 18, 2018).

⁶ *Id.* (citing *Kingdomware*, 136 S. Ct. at 1976).

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ 20 U.S.C. § 107 et. seq.

¹² [Randolph Sheppard Vending Facility Program](#).

and other properties. The act authorizes a blind individual licensed by the state licensing agency to conduct specified activities in vending facilities through permits or contracts.”¹³

In 2006, Congress sought to dispel the confusion and conflict between the JWOD and RSA via the 2006 National Defense Authorization Act (NDAA). Therein, Congress required the agencies administering both the JWOD Act and the RSA (the Commission and the Department of Education, respectively), as well as the Department of Defense (DoD) to issue a joint statement clarifying "the application of those Acts to both operation and management of all or any part of a military mess hall, military troop dining facility, or any similar dining facility."¹⁴

The Commission, the Department of Education, and the DoD complied with this Congressional directive. The three agencies developed a task force comprised of representatives from each agency that "met weekly and engaged in almost daily discussions by electronic mail and telephone to develop a joint statement of policy pursuant to Section 848 [of the 2006 NDAA]."¹⁵ The three agencies also "solicited public comments through a notice in the Federal Register, and approximately 240 comments were received."¹⁶

The three agencies memorialized their agreement as the policy that should govern application of the JWOD Act and RSA to military dining facilities in a joint report to Congress dated August 29, 2006 (the "Joint Policy Statement"). According to the Joint Policy Statement, "contracts will be competed under the RSA when the [Department of Defense] solicits a contractor to exercise management responsibility and day-to-day decision-making for the overall functioning of a military dining facility," i.e., operation of the military dining facility.¹⁷ However, "[i]n all other cases, the contracts will be set aside for JWOD performance . . . Dining Facility Attendant Services (DFA) . . . when the [Department of Defense] needs dining support services (e.g., food preparation services, food serving, ordering and inventory of food, meal planning, cashiers, mess attendant, or other services that support operation of a dining facility)"¹⁸

In the 2015 NDAA, Congress directed DoD to implement the Joint Policy Statement in the Defense Federal Acquisition Regulation Supplement (DFARS). The DoD, Department of Education, and the Commission worked through the Federal Acquisition Regulation (FAR) Council with OMB to create a draft DFARS. DoD issued draft rules for public notice and comments and received comments from persons interested in these issues as they impact both RSA and the JWOD Act and AbilityOne Program. After more than two years¹⁹ of losing AbilityOne Program jobs, the Unified Agenda²⁰ published on June 11, 2018, includes an entry

¹³ *Id.*

¹⁴ NDAA of 2006, Pub. L. No. 109-163, § 848(b), 119 Stat. 3136, 3395 (2006).

¹⁵ Joint Report to Congress, Section 848 of the National Defense Authorization Act for Fiscal Year 2006: Application of the Javits-Wagner-O'Day Act and the Randolph-Sheppard Act to the Operation and Management of Military Dining Facilities (Aug. 29, 2006) ("Joint Policy Statement") at 3.

¹⁶ *Id.*; see also [Statement of Policy and Report Relating to Contracting with Employers of Persons with Disabilities, 71 Fed. Reg. 5819 \(Feb. 3, 2006\) \(requesting public comments\)](#).

¹⁷ Joint Policy Statement at 4, Full Food Services (FFS).

¹⁸ *Id.* See also Food Services for Dining Facilities on Military Installations, 81 Fed. Reg. 36,506, 36,508 (June 7, 2016) ("Mess attendant services' (also known as 'dining facility attendant services') are a subset of 'dining support services.'").

¹⁹ See FY 2015 NDAA Joint Explanatory Statement (prompting the DFARS rule). P.L. 113-291 (December 2014).

²⁰ The Unified Agenda is a semi-annual report on the actions that agencies plan to issue in the near and long term.

by DoD regarding this proposed rule. The relevant DoD entry states that the “DoD is issuing a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) . . . to implement the Joint Report and Policy Statement (Joint Policy Statement) issued by DoD, the Department of Education, and the CFP pursuant to section 848 of the NDAA for FY 2006. Pursuant to the Joint Policy Statement, the RSA applies to contracts for the operation of a military dining facility, also known as full food services, while the CPPBSD statute applies to contracts and subcontracts for dining support services (including mess attendant services).” To date, no final rule has been issued.

3. E-Commerce

Government-wide use of procurement through commercial E-Commerce portals is both an opportunity and a challenge to the AbilityOne Program. The FY 2018 NDAA was signed by the President on December 12, 2017, and included Section 846, “Procurement Through Commercial E-Commerce Portals.”²¹ Section 846 directed the General Services Administration (GSA), in partnership with the OMB, to “...establish a program to procure commercial products through commercial E-Commerce portals for the purposes of enhancing competition, expediting procurements, enabling market research, and ensuring reasonable pricing of commercial products.”

The OIG views the innovations of E-Commerce as the future of an evolving marketplace, just as in the past, the early “workshops” provided new employment opportunities for the blind. There is, however, risk for significant program erosion despite shared success of the E-Commerce platform. It is paramount that the buyers of products and services, i.e., the government agencies and their purchase officers, understand that the customer the E-Commerce platform seeks to serve is the AbilityOne Program itself. This is accomplished when the E-Commerce purchases comply with the JWOD Act, requiring government agencies to continue to buy from the nonprofit agencies participating in the AbilityOne Program.

4. Additional Examples of Erosion of Statutory Program Authority

The following illustrates additional examples of potential AbilityOne Program erosion:

- a. Recommendations for changes to the AbilityOne Program and the definition of “competitive integrated employment” resulting from the report of the Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities established under Section 609 of the Rehabilitation Act of 1973, as amended by Section 461 of the Workforce Innovation and Opportunity Act. The 898 Panel report identified definitions that should be amended to bring JWOD into compliance with the Workforce Innovation and Opportunity Act;²²
- b. Efforts by the Small Business Administration to assert its preference programs over the mandated priority of the JWOD Act;
- c. Lack of enforcement capabilities for the AbilityOne Program to assert its mandated source-priority when federal agencies fail to purchase AbilityOne products and services;

²¹ Pub. L. 115-91.

²² [“Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity” 2018 First Annual Report to Congress \(898 Panel Report \(2018\)\) at 19.](#)

Progress In Addressing The Challenge

As mandated by Congress, the Commission is a member of the “Panel on Department of Defense and AbilityOne Contracting, Oversight, Accountability, and Integrity” (hereinafter, the “898 Panel”).²³ The mandate of the 898 Panel includes making recommendations to Congress regarding the JWOD Act and improvements to the AbilityOne Program.

The 898 Panel released its first annual report to Congress on July 18, 2018.²⁴ Issuing its 41 recommendations, the 898 Panel concluded that the overall lack of funding committed to the Commission was the AbilityOne Program’s biggest challenge.²⁵ The 41 recommendations were grouped into six focus areas, and the 898 Panel reports that it intends to refine the specific recommendations by priority level and to implement them accordingly.

The recommendations identified in DoDIG-2016-097, and tracked by the 898 Panel, are on the path for successful implementation.²⁶ The Commission will continue to work with Congress to update legislation improving the AbilityOne Program’s statutory authority per the 898 Panel’s recommendations. The Commission continues to seek increased cooperation from AbilityOne Program participants to improve processes and controls, and to recognize the market evolution where NPAs increasingly contribute their own ideas for inclusion to the Procurement List.

What Needs To Be Done

While the Commission continues its work with the 898 Panel (which has a three-year mandate ending in 2020) and agency partners, it is vital to ensure that contracting officials have a thorough understanding of the Program to ensure its growth and proper implementation.

In an effort to improve awareness about the AbilityOne Program, the Commission’s initiative of issuing educational materials and providing presentations to agencies is vital. Government entities should understand how the AbilityOne Program can help meet critical agency needs.

The lack of Commissioners currently appointed, and corresponding vacancies from Federal Government agencies,²⁷ deprives these agencies of a senior government official. As a result, these unrepresented departments or agencies²⁸ may be disadvantaged, and so is the Commission.

Key Resources

1. 41 U.S.C. §8501 – 8506.
2. 41 CFR Chapter 51, Committee for Purchase From People Who Are Blind or Severely Disabled.

²³ Pub. L. 114-328, FY 2017 National Defense Authorization Act.

²⁴ [898 Panel 2018 Annual Report to Congress](#).

²⁵ *Id.* at 2.

²⁶ See [Contracting with the AbilityOne Program](#); see also [Required AbilityOne Program Training](#).

²⁷ [41 U.S.C. § 8502\(b\)\(1\)\(A\)-\(K\) \(listing the 11 Agencies that AbilityOne Commissioners must come from as the Department of Agriculture, Department of Defense, Department of the Navy, Department of the Air Force, Department of Education, Department of Commerce, Department of Veterans Affairs, Department of Justice, Department of Labor, and General Services Administration\)](#).

²⁸ *Id.* at (b)(1) (stating that Commissioners are Presidential Appointees that must be nominated by the head of the department or agency). There are no appointed Commissioners from the Departments of Agriculture, Defense, Navy, Education, Veterans Affairs, or Justice.

3. Veterans Benefit Act, 38 U.S.C. § 8127(a), (d), (i).
4. “Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity” 2018 First Annual Report to Congress.

Management Challenge 2: Higher Level of Transparency Needed to Enhance Program Confidence

Why This Is a Challenge

The stakeholders and affected parties from the disabled community are extremely interested in Commission activities, including what is currently under consideration and when Commission decisions are available. The Commission designates CNAs to facilitate the employment of people who are blind or have significant disabilities, and the dynamics of the program are changing and growing more complex.

The AbilityOne Program is challenged with improving transparency.²⁹ Congress made observations regarding challenges in transparency.³⁰ We believe greater transparency would enhance operations in administering the program and result in increased program confidence. Several factors point to the benefits from improved transparency to the program.

Starting with a GAO report published in May 2013, the need to enhance program oversight and transparency has been identified as a challenge.³¹ Progress was made in establishing written agreements between the Commission and each CNA, specifying key expectations.³² The Cooperative Agreements, as required by the Consolidated Appropriations Act of 2016, measure CNA operations.³³

Additionally, despite being included in the Chairman’s Mark,³⁴ a provision establishing contracting goals and setting the stage for expanded Program growth was abandoned at the NDAA Conference. The reason discussed by lawmakers was “...both the [AbilityOne] Inspector General and the [DoD] Panel are generating findings and recommendations for needed reforms and expect the AbilityOne Commission to take appropriate steps in the future to increase transparency and effectiveness of the program.”³⁵

²⁹ [GAO-13-457, “Employing People with Blindness or Severe Disabilities: Enhanced Oversight of the AbilityOne Program Needed,” \(May 2013\)](#). See also “Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity” 2018 First Annual Report to Congress (898 Panel Report (2018)).

³⁰ See *infra*. footnotes 33 and 35.

³¹ [GAO-13-457, “Employing People with Blindness or Severe Disabilities: Enhanced Oversight of the AbilityOne Program Needed,” \(May 2013\)](#).

³² See [NIB Cooperative Agreement](#); See also [SourceAmerica Cooperative Agreement](#).

³³ [Public Law 114-113](#).

³⁴ [FY 2019 NDAA Chairman's Mark](#).

³⁵ [FY 2019 NDAA House Conference Report 115-874 at 920](#).

Commission Membership

The Commission's broad membership provides a benefit for participating agencies and the Commission's operations by maximizing representation across the federal government. Four specific Members come from the blind and disabled community, as private citizens.³⁶ The varying expertise and backgrounds of the talented Members is key to the success of the AbilityOne Program. Currently, the Commission has seven Commission Members, which is less than half of the full fifteen set by law. The current membership level means lower representation by government agencies and it decreases program outreach, communication, and opportunities for greater transparency across the enterprise.

Commission Meetings

More frequent Commission meetings through subcommittee work with larger and more robust agendas that have open discussions would better inform stakeholders. The Commission's public meetings are regularly held, well-attended, and comprise excellent content.

Revitalizing the Commission-held subcommittee system would increase open member dialogue and solutions. Subcommittees could meet more often and establish or encourage "liaisons" from each of the CNAs to provide field-level input. Additionally, the subcommittees should have a role in completing body initiatives.

Also, the Commission may aggravate the perception of opacity with two practices: the frequent use of executive (non-public) sessions and the execution of nondisclosure agreements (NDAs) with Commission members and third-parties. Both practices are permissible and needed in many instances. However, this may result in decreased transparency and cause participants and other stakeholders to have a limited understanding of the Commission's initiatives.

Progress In Addressing The Challenge

The Commission continues to advance program goals in response to GAO recommendations and Congressional mandates. Establishing the Cooperative Agreements with NIB and SourceAmerica in 2016 was a critical step taken by the Commission to strengthen oversight and evaluate performance. The Cooperative Agreement between the Commission and AFB, signed in July 2018, provides a framework for a new CNA model focusing on increasing job placement and career-advancement opportunities in knowledge-based positions.

Congress supported the Commission's request for the 898 Panel in the 2017 NDAA. The 898 Panel is responsible for recommendations in seven critical areas of Congressional interest. The Panel's first report to Congress was issued in July 2018 and identified 41 recommendations in six focus areas: resources, program oversight, contract goal, definitions, training, and technology. The Commission leadership has been successful with outreach through the program visits, meeting with DoD customers, and designing a communication initiative for the 898 Panel recommendations for the CNAs and the NPAs. This includes townhalls and other dialogues hosted or sponsored by the Commission.

³⁶ [41 U.S.C. §8502\(b\)\(2\)-\(5\)](#).

What Needs To Be Done

The Commission is facing challenges with improving the transparency in the administration of the AbilityOne Program. Commissions and Boards typically benefit from publishing regulatory plans that are tailored to the business of the Agency. The agency takes advantage of this and publishes an annual regulatory agenda. Increased use of a docketing system and social media outreach could mitigate some of these transparency concerns. The regulations of the Commission do not have a public plan for revisions of business administration and operations. Agencies are increasingly using electronic filing and document dissemination systems to manage deadlines and actions. The Commission has two excellent staff that support the strategic communication and government affairs of the agency. However, these staff are burdened with the delivery of information for an enormous program with limited resources.

Increased use of a notice of proposed rulemaking could also increase transparency by informing interested stakeholders of impending action and by soliciting public and open dialogue.

Key Resources

1. GAO-13-457, “Employing People with Blindness or Severe Disabilities: Enhanced Oversight of the AbilityOne Program Needed,” (May 2013).
2. Public Law 114-113, Consolidated Appropriations Act, 2016.
3. FY 2019 NDAA House Conference Report 115-874.
4. Javits-Wagner-O’Day (JWOD) Act (41 U.S.C. §§ 8501-8506).

Management Challenge 3: Implementation of Cooperative Agreements with CNAs

Why This Is a Challenge

The Commission designates CNAs to facilitate the employment of people who are blind or have significant disabilities. The dynamics of the CNAs in the program are changing and growing. The Commission administers the AbilityOne Program with the assistance of two CNAs, National Industries for the Blind (NIB) and SourceAmerica (41 CFR Chapter 51-3). The Commission designated American Foundation for the Blind (AFB) as a third CNA on July 26, 2018. This third CNA is conducting research and studies and as such, has not yet begun fully operating and is not authorized to charge or collect fees from any NPAs.

The Commission is responsible for overseeing the implementation of the Cooperative Agreements with the CNAs to ensure successful performance.³⁷ The Commission established a Program Management Office (PMO) with two professional staff to administer and implement the Cooperative Agreements. The new Director of the PMO, recently joining the Commission staff from the DoD OIG, brings significant experience and expertise to the Commission. The progress with the PMO office is impressive.

³⁷ See *supra*. footnote 32.

A recurring threat to the effectiveness of the AbilityOne Program is the narrow capacity resulting from challenges in funding. When ensuring quality performance for their respective Cooperative Agreements, the Commission's PMO size stands in stark contrast to the size of the CNAs.

Progress In Addressing The Challenge

The Cooperative Agreements govern the relationship with, and the performance of, NIB and SourceAmerica. The implementation of the agreements in their first full fiscal year is a major accomplishment by the Commission. The Commission stated that its effective stewardship encompasses fostering, monitoring, and enforcing nonprofit agencies' compliance with the statutory and regulatory requirements to participate in the AbilityOne Program. In order to achieve its goal, the Commission will assess the staffing level and resources necessary for the PMO to be effective as reports, deliverables, and evaluation processes increase. Any proposal for an increase in resources will be justified in future budget requests.³⁸

The Commission continues to pursue budget increases for Agency operations and resources to enable greater program oversight. The increasingly complex responsibilities combined with the need to monitor its Cooperative Agreements, implement the 898 Panel's recommendations, and continue efforts to build the field office to oversee the Western United States are outlined in the Commission's budget justifications to Congress.

The Cooperative Agreements include the Commission's requirements for timeliness and accuracy in the CNAs' submissions of requests for Procurement List or pricing transactions. The Cooperative Agreements have Quality Assurance Surveillance Plans that measure the timeliness and accuracy in accordance with specified standards. Additionally, the Cooperative Agreements address the AbilityOne Program fee determination and implementation. In accordance with the Consolidated Appropriations Act of 2016, the Cooperative Agreements require program fees to be disclosed to Congress on a quarterly basis.

What Needs To Be Done

The Commission PMO's progress in building the infrastructure needed to strengthen its oversight through Cooperative Agreements with designated CNAs is impressive and encouraging. The Cooperative Agreements emphasize employment growth, program integrity, support for nonprofit agency employers participating in the AbilityOne Program, as well as enhanced training and communications.

The Commission PMO's continuous evaluation and improvement process will ensure greater success, including deeper involvement with the 898 Panel. The 898 Panel's duties will continue through at least FY 2020, and the Commission is required to annually implement the Panel's recommendations in support of the AbilityOne Program.

While emphasizing oversight, the Commission maintains an unwavering focus on its core mission – employment opportunities for people who are blind or have significant disabilities.

Key Resources

1. 41 U.S.C. §8501 – 8506.

³⁸ [U.S. AbilityOne Commission Fiscal Year 2019 Budget Justification.](#)

2. 41 CFR Chapter 51, Committee for Purchase From People Who Are Blind or Severely Disabled.
3. Cooperative Agreements: [National Industries for the Blind](#), [SourceAmerica](#), and [American Foundation for the Blind](#).

Management Challenge 4: Lack of Adequate Resources Impacts Program Effectiveness

Why This Is a Challenge

The Commission does not have adequate staffing and resources to effectively execute its responsibilities and sustain the mission to provide employment opportunities for people who are blind or have significant disabilities in the manufacture and delivery of products and services to the federal government. As noted in the CIGIE TMPC report, human capital is a significant challenge that impacts the ability of federal agencies to meet their performance goals and to execute their missions efficiently. Consistent with the CIGIE TMPC report's findings, funding and staffing are a challenge for the Commission that negatively impacts the agency's ability to effectively meet its mission.³⁹ If adequate funding is not provided, pressure on the Commission's capacity to ensure program accountability and operational efficiency will reach a critical state.

The Commission's FY 2019 budget justification recognized the imbalance between its resources and a historic increase in mission requirements.⁴⁰ Currently, the Commission operates with a staff of 27 people (Figures 2 and 3) responsible for establishing the rules, regulations, and policy to ensure effective implementation of the JWOD Act and for the administration of the AbilityOne Program, which recently exceeded \$3.3 billion in sales to U.S. government agencies worldwide. AbilityOne contractors providing goods and services are located in all 50 states as well as Puerto Rico and Guam and employ approximately 46,000 people who are blind or have significant disabilities.

Another strain on resources results from supporting the 898 Panel. The 898 Panel is required to report to Congress annually on its activities, findings and recommendations. The Commission has the added responsibility of implementing certain recommendations addressing diverse issues ranging from waste, fraud, and abuse to business practices and veteran's employment.⁴¹

The resource levels of the Commission are not adequate for the geographical size and complexity of the program it oversees. The Commission is seeking remedies to these problems by working with OMB and Congress.

The Commission needs adequate resources to meet mission-critical requirements, and to maintain and accelerate the momentum toward strengthening oversight of the AbilityOne

³⁹ CIGIE, *Top Management and Performance Challenges Facing Multiple Federal Agencies*, April 2018, pg. 8.

⁴⁰ [U.S. AbilityOne Commission Fiscal Year 2019 Budget Justification](#).

⁴¹ First Panel Annual Report to Congress, *Under Secretary of Defense for Acquisition and Sustainment*, July 18, 2018.

Program. Increased resources are essential for the Commission to successfully respond to the rapidly growing demands resulting from Congressional requirements for the Commission to exercise stronger oversight of the AbilityOne Program.

Figure 2:

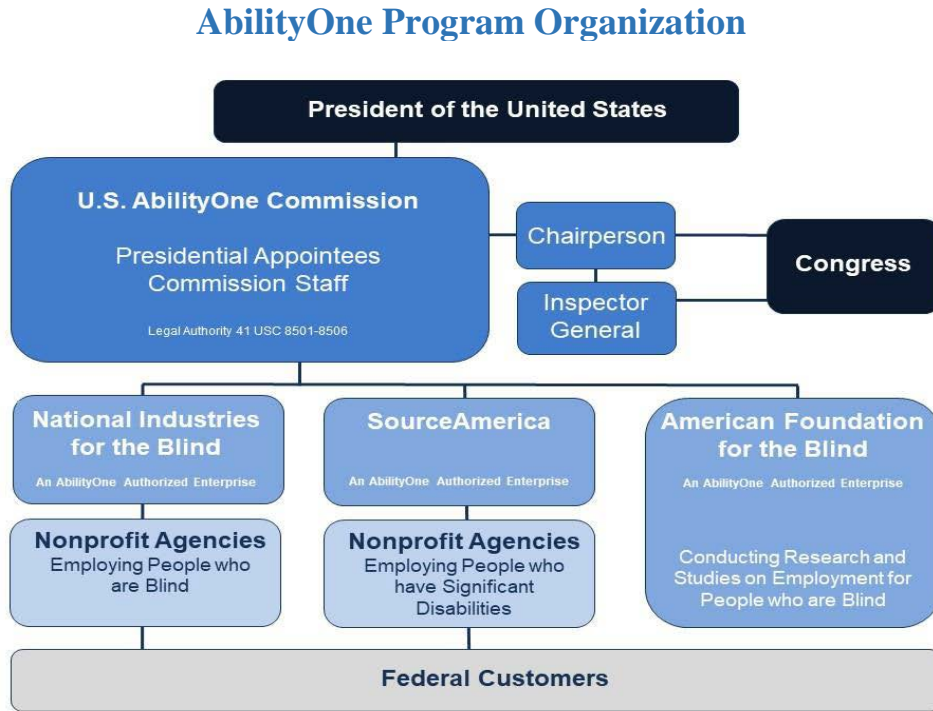
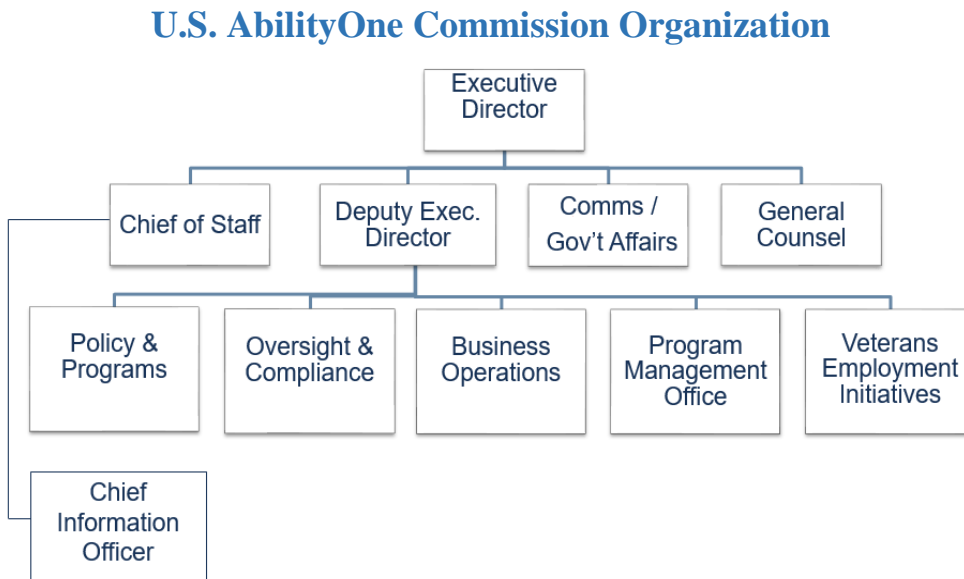


Figure 3:



Progress In Addressing The Challenge

The Commission has strengthened its oversight of the Program through changes in response to the Consolidated Appropriations Act of 2016. The Cooperative Agreements with NIB and SourceAmerica directly link employment growth and other key performance indicators to the fees collected by the CNAs for their assistance in administering the AbilityOne Program.

The Commission also needs additional resources to advance the progress made this year in the establishment of the field office to oversee the AbilityOne contracts in the Western areas of the United States, and to conduct on-site compliance inspections designed to ensure adherence with statutory, regulatory, and other requirements by NPAs participating in the AbilityOne Program.⁴²

What Needs To Be Done

The Commission should continue to assess the level of resources needed to fully achieve and implement its strategic objectives and expand activities and operations.

Key Resources

1. Department of Defense and Labor, Health and Human Services, and Education Appropriations Act of 2019 and Continuing Appropriations Act of 2019.
2. OMB Memorandum M-17-22, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce* (April 12, 2017).

Management Challenge 5: Establishing an Enterprise-wide Risk Management Framework

Why This Is a Challenge

The Commission does not have a formal enterprise-wide framework to identify, analyze, and manage risk. This has limited the Commission's ability to identify and respond to critical issues or integrate risk management into its existing business operations and to respond effectively to changing risks and priorities. In July 2016, OMB issued an update to Circular A-123 requiring federal agencies to implement Enterprise Risk Management (ERM) procedures so executives can ensure the achievement of the agency's strategic objectives (Figure 4). Additionally, Circular A-123 requires a Chief Risk Officer position to be established.

The Commission does not currently have a Chief Risk Officer or a Chief Financial Officer. Like other agencies, the Commission is required to align ERM processes with its goals and objectives, and to report on each of the identified risk areas. The Commission has been open to the need to address this challenge. However, the Commission does not have the staff or resources to accomplish ERM at this time.

⁴² [U.S. AbilityOne Commission FY 2017 Performance and Accountability Report.](#)

Figure 4:

OMB Circular A-123 Seven Continuous Risk Identification and Assessment

Establish the Context	Understanding and articulating the internal and external environments of the organization.
Initial Risk Identification	Using a structured and systematic approach to recognizing where the potential for undesired outcomes or opportunities can arise.
Analyze and Evaluate Risks	Considering the causes, sources, probability of the risk occurring, the potential positive or negative outcomes, and then prioritizing the results of the analysis.
Develop Alternatives	Systematically identifying and assessing a range of risk response options guided by risk appetite.
Respond to Risks	Making decisions about the best options(s) among a number of alternatives, and then preparing and executing the selected response strategy.
Monitor and Review	Evaluating and monitoring performance to determine whether the implemented risk management options achieved the stated goals and objectives.
Continuous Risk Identification	Must be an iterative process, occurring throughout the year to include surveillance of leading indicators of future risk from internal and external environments.

Progress In Addressing The Challenge

As outlined in the Standards for Internal Control in Federal Government (Green book) and the Playbook for Implementation of ERM in government, the Commission recognizes that the greatest risk to the integrity and effectiveness of the AbilityOne Program is a lack of capacity resulting from insufficient funding and staffing. The Commission noted this finding in its Congressional Budget Justification for FY 2019. The Commission will continue to request funding in future budget justification cycles to remedy Challenge No. 4: Lack of Adequate Resources.

Despite this, as stated earlier, the Commission has established Cooperative Agreements with its CNAs, has begun addressing recommendations from the 898 Panel, and has established a Western field office in order to better serve its stakeholders.

Additionally, the Commission’s Oversight and Compliance Office initiated a comprehensive risk-based model for the compliance approach to emphasize transparency of what is considered an at-risk or high-risk NPA. The office utilizes an internal control system using quantifiable

metrics and the automated documentation system, referred to as Procurement List Information Management System (PLIMS). The risk-based model, when fully implemented, will allow managing and deploying resources devoted to program compliance and allow continued improvement to risk mitigation processes in a systematic, structured, and enterprise-wide approach.

What Needs To Be Done

The Commission needs to implement the ERM to effectively respond to both expected and unexpected events. ERM is beneficial because it addresses a fundamental organizational principle: the need for information about major risk to flow both vertically (i.e. up and down) and horizontally (i.e. across business functions). ERM implementation would also improve Challenge No. 2: Higher Level of Transparency Needed to Enhance Program Confidence.

A key human resource need is a Chief Financial Officer or equivalent, which the Commission lacks due to inadequate resources. While OMB recognizes that not all components of an ERM process are fully operational in the first years, Agency leadership must set priorities in terms of implementation consistently with OMB-required policy changes. As the Commission continues to explore opportunities to increase resources as addressed in the Agency's Congressional Budget Justification, adding personnel to improve risk planning would provide vantage to better achieving the intended benefits of the program.

Key Resources

1. OMB Memorandum M-16-17 for Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).
2. Standards for Internal Control in the Federal Government (known as the Green Book), (September 2014).
3. Playbook: Enterprise Risk Management for the U.S. Federal Government (July 29, 2016).
4. Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019.

Management Challenge 6: Enhancement of Program Compliance

Why This Is a Challenge

The Commission's Oversight and Compliance office does not have sufficient resources to execute its compliance responsibilities. The office's responsibilities include implementation of issued policy guidance, conducting routine inspections, providing comprehensive reviews of annual certifications, and training NPAs participating in the AbilityOne Program. The office operates with three government employees and two contractors. Without additional resources, the office is at risk of failing to meet its compliance goals.

Pursuant to Title 41 CFR 51-4, the Commission's Oversight and Compliance office assesses the 550 AbilityOne NPAs with their 46,000 employees for compliance with program qualification requirements. Inspections involve the review of company health and safety standards, direct

labor hour ratios, and compliance with eligibility requirements (i.e., documentation about the NPA employee's significant disability).

Progress In Addressing The Challenge

In October 2017, the OIG reported on progress being made on this management challenge. At that time, OIG reported notable advancements made by the Commission's Oversight and Compliance office. The hiring of a new deputy director, the implementation of virtual NPA documentation assessments, and streamlining the compliance standardization processes all contributed to the progress.

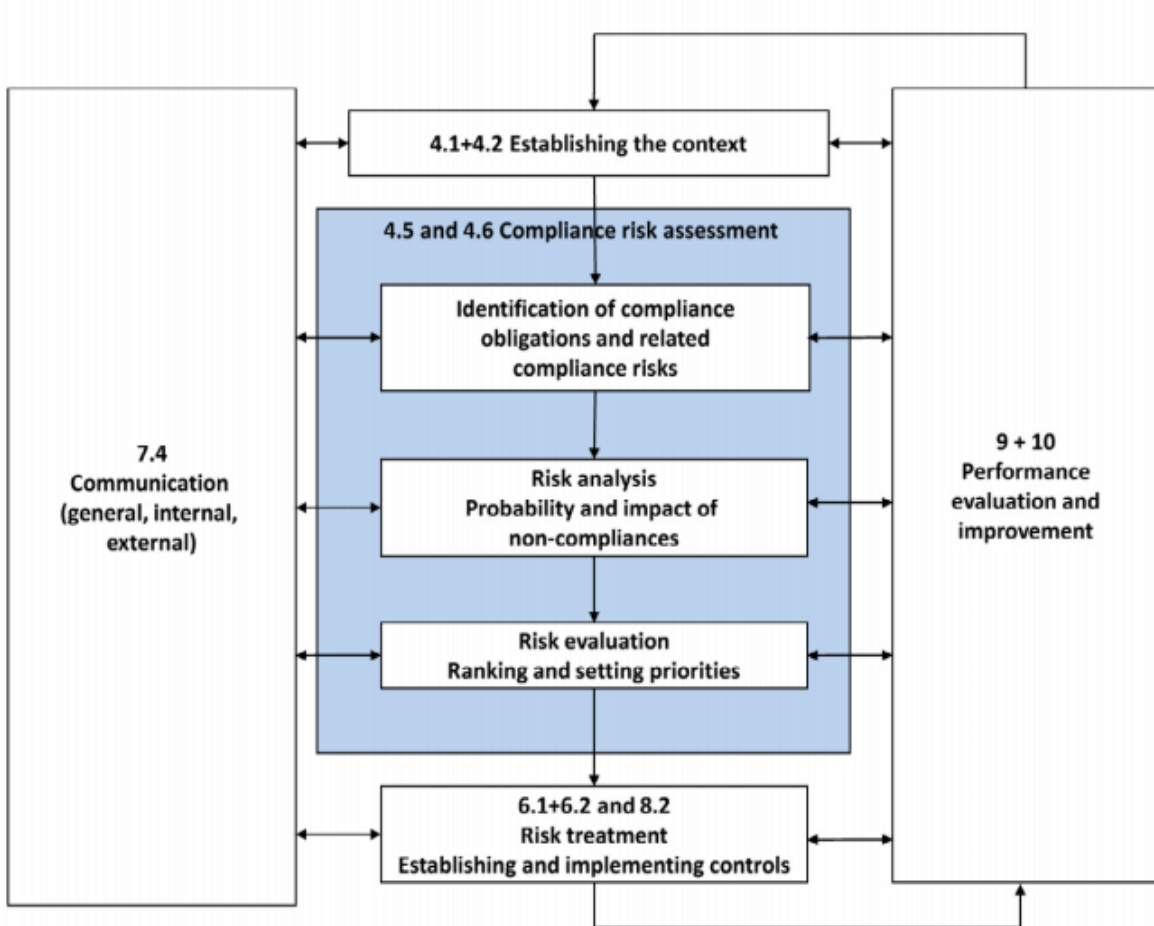
Subsequently, the Commission's Oversight and Compliance office designed a risk-based model. The risk-based model placed emphasis on increasing transparency by NPAs considered either at-risk or at high risk through the automated documentation system – PLIMS – for tracking quantifiable metrics. The risk model was derived from the International Standard for Compliance Management (ISO) 19600: The Development of Global Standard on Compliance Management (Figure 5).

The office developed an FY 2018 NPA 4th Quarter compliance review schedule weighted on a six-criterion model. The model includes factors such as NPAs with complaints not inspected in the last five to ten years by the Commission; NPAs below ratio; higher producing NPAs as determined by sales and direct labor hours; NPAs with a phase-in without progress in the last two years; and a new NPA within the past five years. The office reported improvements to the existing complaint process and the template intake form and analysis form are now used to track complaints from beginning to end.

The Western field office was established this year in Seattle and is located at Joint Base Lewis-McChord, in Washington state. In September 2018, the OIG visited the Western Field office and the Commission staff working there. Overall, the building up of an operational Western field office constitutes progress, as does the four compliance inspections conducted by the compliance office since the hiring of a new deputy director.

Figure 5:

ISO 19600: THE DEVELOPMENT OF A GLOBAL STANDARD ON COMPLIANCE MANAGEMENT



What Needs To Be Done

The Commission's Oversight and Compliance Office should continue to integrate risk management into their existing business operations in accordance with continuous risk identification and assessment. With as many as 550 NPAs in the program, this approach is essential to maximizing compliance coverage.

Key Resources

1. OMB Memorandum M-16-17 for Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).
2. GAO Standards for Internal Control in the Federal Government, (September 2014).
3. International Standard ISO 19600, *Compliance Management System-Guidelines* (December 2014).

Appendix II – Financial Audit

The Commission's FY 2018 independent financial audit is attached.



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

FINANCIAL STATEMENTS

As of And For The Years Ended September 30, 2018 and 2017

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Table of Contents
September 30, 2018 and 2017

Independent Auditor's Report	Section 1
Financial Statements	Section 2
Notes to the Financial Statements	Section 3
Independent Auditor's Report on Internal Control	Section 4
Independent Auditor's Report on Compliance	Section 5

Independent Auditor's Report

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying Consolidated Balance Sheet of the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission as of September 30, 2018 and 2017, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission as of September 30, 2018 and 2017, and the related statements of net costs, changes in net position and budgetary resources for the year then ended, in conformity with U.S. generally accepted accounting principles.

Required Supplementary and Other Information

U.S. generally accepted accounting principles require that the information in the *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information presented in the Message from the Executive Director, Other Accompanying Information, and Appendices is presented for purposes of additional analysis and are not required as part of the basic financial statements. Such information has not been subjected to auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 19-01, we have also issued our report dated December 1, 2018 on our consideration of the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and other matters that are required to be reported under *Government Auditing Standards*. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Committee for Purchase from People who are Blind or Severely Disabled – U. S. Ability One Commission's internal control over financial reporting and compliance, and should be read in conjunction with this report in considering the results of our audit.

Davis & Associates

Columbia, Maryland
December 1, 2018

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

BALANCE SHEET

As Of September 30, 2018 and 2017

		2018	2017
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 2,496,026.54	\$ 2,694,839.62
Total Intragovernmental		2,496,026.54	2,694,839.62
Accounts Receivable, net	(Note 3)	3,827.13	12,993.49
General Property, Plant and Equipment, Net	(Note 4)	14,437.32	25,769.78
Total Assets		\$ 2,514,290.99	\$ 2,733,602.89
Liabilities:	(Note 5)		
Intragovernmental:			
Other:	(Note 6)		
Employer Contributions and Payroll Taxes Payable		43,273.01	37,652.00
Total Intragovernmental		43,273.01	37,652.00
Accounts Payable		22,495.78	166,672.36
Other:	(Note 6)		
Accrued Funded Payroll and Leave		175,659.52	152,576.00
Employer Contributions and Payroll Taxes Payable		,405.33	5,338.39
Unfunded Leave	(Note 11)	435,628.33	337,952.52
Total Liabilities		\$ 83,461.97	\$ 700,191.27
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		2,248,192.90	2,332,600.87
Cumulative Results of Operations - All Other Funds		(417,363.88)	(299,189.25)
Total Net Position - All Other Funds (Consolidated)		1,830,829.02	2,033,411.62
Total Net Position		\$ 1,830,829.02	\$ 2,033,411.2
Total Liabilities and Net Position		\$ 2,514,290.99	\$ 2,733,602.89

The accompanying notes are an integral part of these statements.

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

As Of And For The Years Ended September 30, 2018 and 2017

	2018	2017
Program Costs:		
ABILITY ONE:		
Gross Costs	8,776,196.29	7,361,973.53
Net Program Costs	8,776,196.29	7,361,973.53
Net Cost of Operations	8,776,196.29	7,361,973.53

(Note 11)

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2018 and 2017**

	FY 2018 (CY)
	<u>Consolidated Total</u>
Unexpended Appropriations:	
Beginning Balance	2,332,600.87
Budgetary Financing Sources:	
Appropriations received	8,250,000.00
Other adjustments	25,293.20)
Appropriations used	8,309,114.77)
Total Budgetary Financing Sources	<u>84,407.97)</u>
Total Unexpended Appropriations	2,248,192.90
Cumulative Results from Operations:	
Beginning Balances	\$ 299,189.25)
Budgetary Financing Sources:	
Appropriations used	8,309,114.77
Other Financing Sources (Non-Exchange):	
Imputed financing	348,906.89
Total Financing Sources	8,658,021.66
Net Cost of Operations	8,776,196.29
Net Change	<u>118,174.63)</u>
Cumulative Results of Operations	<u>\$ 417,363.88)</u>
Net Position	<u>\$ 1,830,829.02</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2018 and 2017**

FY 2017 (PY)

	Consolidated Total
Unexpended Appropriations:	
Beginning Balance	1,431,417.66
Budgetary Financing Sources:	
Appropriations received	,000,000.00
Other adjustments	(11,372.33)
Appropriations used	(7, 7,444.46)
Total Budgetary Financing Sources	9 1,183.21
Total Unexpended Appropriations	2,332,6 .87
Cumulative Results from Operations:	
Beginning Balances	\$ (251,11 .10)
Budgetary Financing Sources:	
Appropriations used	7, 7,444.46
Other Financing Sources (Non-Exchange):	
Imputed financing	226,457.92
Total Financing Sources	7,313,9 2.38
Net Cost of Operations	7,361,973.53
Net Change	(4 ,071.15)
Cumulative Results of Operations	\$ (299,1 9.25)
Net Position	\$ 2, 33,411.62

The accompanying notes are an integral part of these statements.

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

As Of And For The Years Ended September 30, 2018 and 2017

	<u>2018</u> <u>Budgetary</u>	<u>2017</u> <u>Budgetary</u>
BUDGETARY RESOURCES		
Unobligated balance from prior year budget authority, net	582,539.06	522,063.94
Appropriations (discretionary and mandatory)	8,250,000.00	8,000,000.00
Total budgetary resources	\$ 8,832,539.06	\$ 8,522,063.94
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	(Note 8) \$ 8,068,818.68	\$ 8,157,981.92
Unobligated balance, end of year:		
Apportioned, unexpired account	538,506.79	164,292.75
Unexpired unobligated balance, end of year	538,506.79	164,292.75
Expired unobligated balance, end of year	225,213.59	199,789.27
Unobligated balance, end of year (total)	763,720.38	364,082.02
Total budgetary resources	\$ 8,832,539.06	\$ 8,522,063.94
OUTLAYS, NET		
Outlays, net (total) (discretionary and mandatory)	8,423,519.88	6,979,060.04
Agency outlays, net (discretionary and mandatory)	\$ 8,423,519.88	\$ 6,979,060.04

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

NOTE 1 – Significant Accounting Policies - Reporting Entity

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

Basis of Presentation

These financial statements have been prepared from the accounting records of the Committee in accordance with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, as amended. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

OMB Circular No. A-136 requires agencies to prepare principal statements which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2018, amounts of future economic benefits owned or managed by the Committee (assets), amounts owed by the Committee (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within the Committee and other reporting entities. The Statement of Budgetary Resources reports an agency’s budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Revenues and Other Financing Sources

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

Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimate

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

Fund balance with Treasury

The Committee maintains its available funds with the Department of the Treasury (Treasury). The fund balance with Treasury is available to pay current liabilities and finance authorized purchases. Cash receipts and disbursements are processed by Treasury and are reconciled with those of Treasury on a regular basis. Note 2, Fund Balance with Treasury, provides additional information.

Accounts Receivable, Net and Advances and Prepayments

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees. The direct write-off method is used for uncollectible receivables. The Committee has historically collected receivables due and thus has not established an allowance for uncollectible accounts. Advances and Prepayments are when an agency pays in advance for goods/services which have not yet been received. The Committee has no such advances and prepayments.

General property and equipment

General property and equipment (PP&E) consists of equipment used for general operations and internal use software. The basis for recording purchased PP&E is full cost, which includes all costs incurred to bring the PP&E to a form and location suitable for its intended use. The cost of PP&E acquired through donation is the estimated fair market value when acquired. All PP&E with an initial acquisition cost of \$5,000 or more and an estimated useful life of two years or more are capitalized.

The PP&E is depreciated using the straight-line method over the estimated useful life of the asset. Normal maintenance and repair costs are expensed as incurred.

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

Liabilities

Liabilities are recognized for amounts of probable and measurable future outflows or other sacrifices of resources as a result of past transactions or events. Since the Committee is a component of the U.S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the sovereign entity. In accordance with public law and existing federal accounting standards, no liability is recognized for future payments to be made on behalf of current workers contributing to the Medicare Health Insurance Trust Fund, since liabilities are only those items that are present obligations of the government. The Committees' liabilities are classified as covered by budgetary resources or not covered by budgetary resources.

Liabilities Covered by Budgetary Resources are Liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account), and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

Liabilities Not Covered by Budgetary Resources are liabilities which are not considered to be covered by budgetary resources. Liabilities Not Covered by Budgetary Resources are combined with liabilities covered by budgetary resources with liabilities on the face of the Balance Sheet.

Accrued payroll and benefits

Accrued payroll and benefits consist of salaries, wages, leave and benefits earned by employees, but not disbursed as of September 30. Liability for annual and other vested compensatory leave is accrued when earned and reduced when taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. Annual leave earned but not taken is considered an unfunded liability since this leave will be funded from future appropriations when it is actually taken by employees. Sick leave and other types of leave are not accrued and are expensed when taken.

Accounts payable

Accounts payable primarily consists of amounts due for goods and services received, progress in contract performance, interest due on accounts payable, and other miscellaneous payables.

Revenue and financing sources

The Committee receives the funding needed to support its programs through an annual Congressional appropriation. The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been made available by Congressional appropriation. Appropriations are recognized as financing sources when related expenses are incurred or assets are purchased.

The Committee receives an annual appropriation that may be used within statutory limits. For example, funds for general operations are generally made available for one fiscal year. The Statement of Budgetary Resources presents information about the resources appropriated to the Committee.

Federal employee benefits

Most Committee employees participate in either the Civil Service Retirement System (CSRS) – a defined benefit plan, or the Federal Employees Retirement System (FERS) – a defined benefit and contribution plan. For employees covered under CSRS the Committee contributes a fixed percentage of pay. Most employees hired after December 31, 1983, are automatically covered by FERS. For employees covered under FERS the Committee contributes the employer’s matching share for Social Security and Medicare Insurance. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the Committee automatically contributes one percent of employee pay and matches employee contributions up to an additional four percent of pay.

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

The U.S. Office of Personnel Management is the administering agency for both of these benefit plans and, thus, reports CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities applicable to federal employees. Therefore, the Committee does not recognize any liability on its balance sheet for pensions, other retirement benefits, and other post employment benefits.

Net Position

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation.

Intragovernmental Costs and Exchange Revenue

Intragovernmental costs arise from purchases of goods or services from other components of the Federal Government. In contrast, public costs are those that arise from the purchase of goods or services from nonfederal entities. The Committee does not provide services to another federal entity.

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

NOTE 2 – Fund Balance with Treasury

The fund balance with treasury is a consolidated balance of five annual funds (FY 2014, FY 2015, FY 2016, FY 2017, and FY 2018). The FY 2013 annual fund was cancelled and the remaining \$25,293.20 fund balance given back to US Treasury during FY 2018.

	<u>2018</u>	<u>2017</u>
A. Fund Balance with Treasury		
General Fund	<u>\$2,496,026.54</u>	<u>\$2,694,839.62</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	538,506.79	164,292.75
b) Unavailable	225,213.59	199,789.27
2) Obligated Balance not yet Disbursed	<u>1,732,306.16</u>	<u>2,330,757.60</u>
Total	<u>\$ 2,496,026.54</u>	<u>\$2,694,839.62</u>

NOTE 3 – Accounts Receivable, Net

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

	<u>2018</u>	<u>2017</u>
Accounts Receivable - With the Public	\$3,827.13	\$12,993.49

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

As of September 30, 2018, the Committee showed Leasehold Improvements with a total cost of \$258,074.37 and a net book value of \$0. The Accumulated Depreciation to date showed a balance of \$258,074.37. The Committee also showed Equipment – Administrative with a total cost of \$113,301.71 and a net book value of \$14,437.32. The Accumulated Depreciation to date was \$98,864.39.

<u>2018</u>	<u>Equipment</u>	<u>Leasehold</u>	<u>Total</u>
Cost	\$113,301.71	258,074.37	\$371,376.08
Accum. Depr.	(\$98,864.39)	(258,074.37)	(\$356,938.76)
Net Book Value	<u>\$14,437.32</u>	<u>-</u>	<u>\$14,437.32</u>
<u>2017</u>	<u>Equipment</u>	<u>Leasehold</u>	<u>Total</u>
Cost	\$113,301.71	258,074.37	\$371,376.08
Accum. Depr.	(\$87,531.93)	(258,074.37)	(\$345,606.30)
Net Book Value	<u>\$25,769.78</u>	<u>-</u>	<u>\$25,769.78</u>

NOTE 5 – Liabilities Not Covered by Budgetary Resources

Liabilities of the Committee are classified as liabilities covered or not covered by As of September 30, 2018, the Committee showed liabilities covered by budgetary resources of \$247,833.645 and liabilities not covered by budgetary resources of \$435,628.33.

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

	2018	2017
Intragovernmental		
Accounts Payable		
Employer Contributions & Payroll Taxes Payable	\$ 43,273.01	\$ 37,652.00
Total Intragovernmental	\$ 43,273.01	\$ 37,652.00
With the Public		
Accounts Payable	\$ 22,495.78	\$ 166,672.36
Accrued Funded Payroll & Leave	175,659.52	152,576.00
Employer Contributions & Payroll Taxes	6,405.33	5,338.39
Unfunded Leave	435,628.33	337,952.52
Total With the Public	\$ 640,188.96	\$ 662,539.27
Total Liabilities	\$ 683,461.97	\$ 700,191.27
Total liabilities not covered by budgetary resources	\$ 435,628.33	\$ 337,952.52
Total liabilities covered by budgetary resources	247,833.64	362,238.75
Total Liabilities	\$ 683,461.97	\$ 700,191.27

NOTE 6 – Other Liabilities

Other liabilities with the public for the year ended September 30, 2018 and 2017 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable.

FY 2018

	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	-	43,273.01	43,273.01
Total Intragovernmental	-	43,273.01	43,273.01
Liabilities with the Public			
Accrued Funded Payroll & Leave	-	175,659.52	175,659.52
Employer Contributions and Payroll Taxes Payable	-	6,405.33	6,405.33
Unfunded Leave	435,628.33	-	435,628.33
Total Liabilities with the Public	435,628.33	182,064.85	617,693.18
Total Other Liabilities	435,628.33	225,337.86	660,966.19

FY 2017

	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	-	37,652.00	37,652.00
Total Intragovernmental	-	37,652.00	37,652.00
Liabilities with the Public			
Accrued Funded Payroll & Leave	-	152,576.00	152,576.00
Employer Contributions and Payroll Taxes Payable	-	5,338.39	5,338.39
Unfunded Leave	337,952.52	-	337,952.52
Total Liabilities with the Public	337,952.52	157,914.39	495,866.91

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

Total Other Liabilities	337,952.52	195,566.39	533,518.91
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NOTE 7 – Leases

The Committee occupies office space under a lease agreement that is accounted for as an operating lease. The Committee moved office locations in November, 2013, with greatly reduced, new office space rent amounts. The current office lease term began on October 1, 2013 and has been extended for a period of 60 months. Lease payments are increased annually based on The Committee’s proportionate share of the building’s operating expenses and real estate taxes. The total operating lease expenses as of September 30, 2017 and 2018 were \$218,401 and \$273,868, respectively.

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

Fiscal Year	Office Space Cost Estimates
2019	\$360,000
Total future payments	\$360,000

NOTE 8 – Apportionment Categories of New Obligations and Upward Adjustments: Direct Vs. Reimbursable Obligations

All obligations for the Committee in fiscal year 2018 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132. All obligations for the Committee in fiscal year 2017 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132.

Direct	<u>2018</u>	<u>2017</u>
Category B	\$8,068,818.68	\$8,157,981.92

NOTE 9 – Undelivered Orders at End of the Period

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

\$1,484,472.52 was the amount of the Committee’s budgetary resources obligated for undelivered orders as of September 30, 2018.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2018	\$1,484,472.52	-	\$1,484,472.52
2017	\$1,968,518.85	-	\$1,968,518.85

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

NOTE 10 – Explanation of the Relationship between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2018 actual budgetary execution information is scheduled for publication in February 2019, which will be available through OMB’s website at <http://www.whitehouse.gov/omb>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2017 SBR and the related President’s Budget reflected the following:

FY2017	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 8,522,063.94	\$ 8,157,981.92	\$ -	\$ 6,979,060.04
Budget of the U.S. Government	8,000,000.00	8,000,000.00	-	7,000,000.00
Difference	<u>\$ 522,063.94</u>	<u>\$ 157,981.92</u>	<u>\$ -</u>	<u>\$ (20,939.96)</u>

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

NOTE 11 – Reconciliation of Net Cost of Operations to Budget

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

	<u>2018</u>	<u>2017</u>
Liabilities not covered by budgetary resources	435,628.33	337,952.52
Change in components requiring/generating resources	97,675.81	40,787.14

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

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Committee in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Committee in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred

Committee for Purchase from People Who Are Blind or Severely Disabled
U.S. Ability One Commission
General Fund
Notes to the Financial Statements
September 30, 2018 and 2017

for the Committee employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., good and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

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

	2018	2017
Budgetary Resources Obligated	\$ 8,068,818.68	\$ 8,157,981.92
Spending Authority from Recoveries and Offsetting Collections	(243,750.24)	(268,716.13)
Imputed Financing from Costs Absorbed by Others	348,906.89	226,457.92
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	474,046.33	(801,821.33)
Resources that Finance the Acquisition of Assets	9,166.36	(4,048.45)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	97,675.81	40,787.14
Components Not Requiring or Generating Resources	11,332.46	11,332.46
Net Cost of Operations	\$ 8,766,196.29	\$ 7,361,973.53

NOTE 12 – Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 1, 2018, which is the date the financial statements were available to be issued.

Independent Auditor's Report on Internal Control

Independent Auditor's Report on Internal Control

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

We have audited the financial statements of the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission as of and for the year ended September 30, 2018, and have issued our report thereon dated December 1, 2018. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*.

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

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

Davis & Associates

Columbia, Maryland
December 1, 2018

Independent Auditor's Report on Compliance

Independent Auditor's Report on Compliance with Laws and Regulations

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

We have audited the financial statements of the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission as of and for the year ended September 30, 2018, and have issued our report thereon dated December 1, 2018. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*.

The Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission's management is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance about whether the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission's financial statements are free of material misstatements, we performed tests of management's compliance with certain laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts, and other particular laws and regulations specified in OMB Bulletin 19-01, including those requirements referred to in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the Committee for Purchase from People who are Blind or Severely Disabled - U. S. Ability One Commission.

The results of our tests of compliance with applicable laws and regulations, and government-wide policies, described in the preceding paragraph identified no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB guidance.

Providing an opinion on compliance with certain provisions of laws and regulations and government-wide policies was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Davis & Associates

Columbia, Maryland
December 1, 2018