

U.S. ABILITYONE COMMISSION
FISCAL YEAR 2020
PERFORMANCE AND ACCOUNTABILITY REPORT



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

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Appendix I: AbilityOne Response to COVID-19 Crisis

Message from the Chairperson

I am pleased to present the U.S. AbilityOne Commission's FY 2020 Performance and Accountability Report (PAR). Through the AbilityOne Program, approximately 45,000 Americans who are blind or have significant disabilities are employed in jobs that furnish nearly \$4 billion annually in services and products to the Federal Government. The report demonstrates the Commission's commitment to accountability, transparency and stewardship in overseeing the program.

The AbilityOne program has played a pivotal role in America's [response to the COVID-19 pandemic](#). AbilityOne has played a pivotal role in keeping federal workers and federal buildings safe. More than ninety-five percent of the non-profit agencies remained open and operational throughout the response even while their essential employees served on the front lines.

Commission leadership of the AbilityOne response during COVID-19 has included:

- Prioritizing the health and safety of AbilityOne employees.
- Creating a Contingency Support Operations and Communications (CSOC) Team to serve as an integrated crisis management cell and single point of contact for Federal customers, Central Nonprofit Agencies, and the Program's nearly 500 nonprofit agencies.
- Ensuring responsive, transparent and frequent communication with stakeholders by swiftly issuing new policy guidance, decisions and communications.

The Program experienced and met unprecedented demand for personal protective equipment and sanitizing and disinfecting Federal facilities thus helping to ensure the health and safety of first responders, military service members and government employees.

The program ensured continuity of uninterruptable services such as:

- Dining facilities and switchboard operations at military bases and Veterans Affairs facilities.
- Call centers for the Internal Revenue Service and Veterans Affairs, as well as an unemployment call center for the State of Florida.
- Base Supply Centers, which remain open at most military installations.

The Commission also focused on long term programmatic improvement. These included:

- Establishing a Chief Financial Officer position to increase the agency's financial management and risk management capabilities.
- Updating or issuing new AbilityOne compliance policies and procedures – the most extensive changes in a decade.
- Actively participating in the 2017 National Defense Authorization Act (NDAA) Section 898 "Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity." The 898 Panel's second annual report to Congress, submitted in January 2020, contained 26 recommendations, several of which have already been fully or partially implemented; others are in progress.

- Completing the first AbilityOne competition pilot test, resulting in significant cost savings for the Army. Launched in accordance with an 898 Panel recommendation, the pilot demonstrated a path to improving contractor performance while achieving cost savings
- Continuing to monitor the progress of American Foundation for the Blind (AFB) as the first new CNA added to the AbilityOne Program since 1974. AFB's emphasis on knowledge-based jobs is designed to increase the number and variety of jobs available to people who are blind, both in the AbilityOne Program and in private sector jobs.
- Continuing to monitor SourceAmerica's implementation of a transition plan to ensure that all AbilityOne contract employees earn minimum wages or higher.
- Leveraging the Commission's Directorate of Veterans Employment and Initiatives (DVEI), so that the AbilityOne Program is an effective resource for veterans who face employment challenges. In FY 2020, the DVEI launched the AbilityOne Veterans Apprenticeship Program, aimed at providing veterans with skills and accreditations that will enable them to advance professionally in several in-demand fields.
- Enhancing oversight and transparency by continuing to increase the ability of the Office of the Inspector General to meet its mission of promoting the economy, efficiency, and effectiveness of AbilityOne programs and operations, and protecting those programs and operations against fraud, waste, abuse and mismanagement.

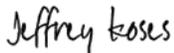
Financial Management

The financial and performance data presented in this report are reliable and complete. The Commission received an unmodified opinion in its FY2020 Financial Statements Audit report, finding that its financial statements and notes were presented fairly, in all material aspects. The Commission has put in place remediating actions to address weaknesses in internal control over financial reporting. These remediation efforts include hiring of a Chief Financial Officer, training our personnel, developing and implementing user entity controls, and enhancing communications with and oversight of the Shared Service Provider. We will continue this initiative in 2021 to continue to improve financial controls.

Bottom Line

People who are blind or have significant disabilities are the heart of the AbilityOne Program. Most of the achievements discussed in this report are their achievements—and America's gain.

Sincerely,

DocuSigned by:

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Jeffrey A. Koses
 Interim Chairperson and Presidential Appointee
 U.S. AbilityOne Commission

Section 1: Management's Discussion and Analysis

1.1 Overview

The U.S. AbilityOne Commission (Commission) is the operating name for the Committee for Purchase From People Who Are Blind or Severely Disabled. The Commission oversees the AbilityOne Program, which creates private sector jobs for approximately 45,000 people who are blind or have significant disabilities, while providing quality products and services to Federal departments and agencies at a fair market price.

The AbilityOne Program is 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 significance can be measured not only in the benefits to this population, but in the broader positive economic impact at the national, state and local levels.

The AbilityOne Program provided nearly \$4 billion in products and services to the Federal Government in FY 2019, the most recent year for which this data is available.¹ The jobs associated with delivering those products and services are located nationwide at approximately 500 nonprofit agencies (NPAs), across 15 time zones, from Guam to Maine.

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.

The Program's organizational structure is outlined in Section 1.4, below.

The AbilityOne Program:

- 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.
- Returns dollars to taxpayers through its contract close-out initiative which, since 2010, has identified more than \$2 billion in unused contract funds that can be returned to the U.S. Treasury.

¹ Most data contained in this document is from FY 2019, due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2020 data will be highlighted.

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. The Act's focus 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 employment of people who have significant disabilities. It also allowed participating NPAs to expand into providing services to the Federal Government. In 2006, the Committee launched the AbilityOne brand to better reflect the 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

1.4.1 Organizational Overview

The Commission is composed of 15 Presidential appointees. Eleven represent government agencies: Departments of Agriculture, Air Force, Army, Commerce, Defense, Education, Justice, Labor, Navy, and Veterans Affairs, and the General Services Administration. The remaining four Commission 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 31 full-time equivalent (FTE) employees. The staff handles Commission operations and prepares the information the Presidential appointees need to make decisions. A career member of the SES serves as the Commission's Executive Director.

The AbilityOne Office of Inspector General (OIG) is a young office, with the first Inspector General beginning in 2017.² The OIG's mission is to promote the economy, efficiency and effectiveness of AbilityOne programs and operations, and protect these programs and operations against fraud, waste, abuse and mismanagement.

The Commission has designated two Central Nonprofit Agencies (CNAs) – NIB and SourceAmerica – to facilitate the distribution of orders and assist NPAs participating in the AbilityOne Program. (A third CNA, American Foundation for the Blind, was designated in 2018 and is currently in a research phase.)

Statutory functions of the Commission include:

- Establishing rules, regulations and policies to ensure 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. These products and services are added to the Procurement List (PL).³

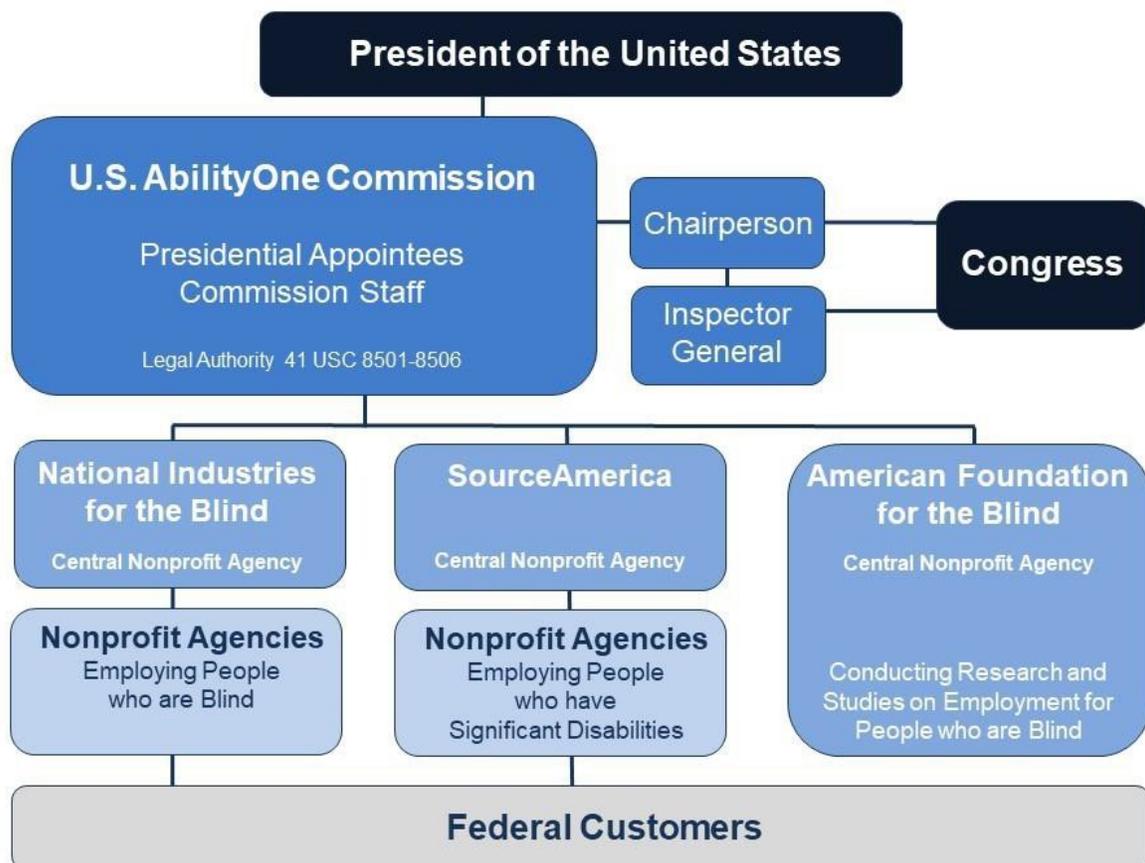
- Determining fair market prices for these products and services, and revising prices in accordance with changing market conditions.

² The Office of Inspector General was established in June 2016 as mandated by the Consolidated Appropriations Act 2016.

³ Once a product or service is on the [Procurement List](#), the Government must buy it from the organization designated by the Commission until the government no longer has requirements for that item, or until a nonprofit agency employing people who are blind or have significant disabilities can no longer furnish that item.

- Monitoring 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.

Figure 1. AbilityOne Program Organization



1.4.2 Commission Members

Jeffrey A. Koses currently serves as Interim Chairperson. He was elected in October 2020. Robert T. Kelly, Jr., served as Vice Chairperson from 2018 to October 2020, when he was elected as Interim Vice Chairperson. Mr. Kelly represents the interests of NPA employees with significant disabilities.

Koses and Kelly were elected on an interim basis because of the current business environment, including the COVID-19 national emergency. The Commission will assess how it will move forward, and hold another election in 2021.

Thomas D. Robinson served as Chairperson from 2018 until October 2020. Until his retirement in October 2020, he was a career member of the Senior Executive Service (SES) for the Department of the Air Force. A full list of Presidential appointees who served on the Commission during FY 2020 follows:

** Members who left the Commission during FY 2020*

Jeffrey A. Koses (SES)

Interim Chairperson

Senior Procurement Executive

General Services Administration

(Sworn in as Commission member May 2020; elected Interim Chairperson in October 2020)

Robert T. Kelly, Jr.

Interim Vice Chairperson

Representing Nonprofit Agency Employees with Significant Disabilities

Private Citizen

Thomas D. Robinson (SES)

Chairperson (through Oct. 2020)

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

Department of the Air Force

James M. Kesteloot

Past Chairperson (Chairperson through July 1, 2018)

Representing Nonprofit Agency Employees who are Blind

Private Citizen

Stuart Hazlett (SES)* (through May 2020)
Deputy Assistant Secretary of the Army (Procurement)
Department of the Army

Mark Allan Schultz (SES) (sworn in as Commission member May 2020)
Commissioner, Rehabilitation Services Administration
Department of Education

Jennifer Sheehy (SES)
Assistant Secretary, Office of Disability Employment Policy
U.S. Department of Labor

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

1.4.3 Commission Meetings

Regular Commission meetings are held on a quarterly basis; however, special meetings may be called by the Chairperson at any time. FY 2020 Commission meetings were as follows:

- October 16, 2019
- February 12, 2020
- April 7, 2020 (cancelled due to pandemic)
- July 17, 2020 (virtual meeting)

1.5 Performance Highlights

1.5.1 Strategic Goals and Key Metrics

Strategic goals for the Commission and AbilityOne Program are:⁴

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

Table 1, below, summarizes key metrics for the AbilityOne Program.

	FY 2018	FY 2019	% Change
Direct Labor Hours	47,840,847	48,124,215	0.59%
Employees	44,006	42,684	-3.00%
Promotions	1,310	1,498	14.35%
Wages	\$656.2M	\$679.7M	3.58%
Average Hourly Wage	\$13.72	\$14.12	2.9%
Sales	3,607,749,461	3,938,264,508	9.16%

Table 1. AbilityOne Program Key Metrics through September 30, 2019⁵

⁴ The Agency's progress toward each goal is described in Section 2 (Performance).

⁵ Most data contained in this document is from FY 2019, due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2020 data will be highlighted.

1.5.2 Major Initiatives

The Commission progressed toward its strategic goals in FY 2020 through major initiatives described below.⁶

Playing a Pivotal Role in America's Response to COVID-19

Associated Strategic Goals: Effective Stewardship, Employee and Customer Satisfaction, Business Excellence

AbilityOne's value, visibility and importance are at historic highs due to its response to the COVID-19 pandemic.⁷ AbilityOne has become a pivotal part of America's response to the crisis. Many AbilityOne employees are designated as essential and serve on the front lines of this national emergency. The Program's response to unprecedented demand from Federal customers ranges from sanitizing hospitals and Federal facilities to producing millions of Personal Protective Equipment items, helping to ensure the health and safety of first responders, military service members and government employees. More about the Commission's COVID-19 response can be found in Appendix I.

Participating in the 2017 NDAA Section 898 "Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity"

Associated Strategic Goals: Effective Stewardship, Employee and Customer Satisfaction, Employment Growth, Business Excellence

Section 898 of the FY 2017 National Defense Authorization Act (NDAA) directed the Secretary of Defense to create the "Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity." The Panel is chartered to review the effectiveness and internal controls of the AbilityOne Program related to Department of Defense (DoD) contracts including, among other matters, reporting back to Congress on ways to eliminate waste, fraud and abuse, and recommending changes to business practices and IT systems.

The Panel's first annual report to Congress, in July 2018, contained more than 40 recommendations. The second Panel report, in January 2020, consolidated these into a list of 26 recommendations.

In FY 2020, the Commission devoted significant resources to putting the Panel's recommendations into effect. The agency will continue this focus in FY 2021. In implementing the recommendations, the Commission is not only meeting Congressional mandates, but also achieving innovations that will improve Federal customer satisfaction,

⁶ For further details, see Section 2 (Performance).

⁷ On March 13, 2020, the President issued a [proclamation](#) that the COVID-19 outbreak in the United States constituted a national emergency.

enhance stewardship, grow employment, and continue the AbilityOne Program’s path to a sustainable future.

For example, the completion of the Panel’s recommendation to develop improved AbilityOne training for the DoD workforce will help grow job opportunities for individuals who are blind or have significant disabilities.⁸ Recommendations related to modernizing AbilityOne policies and business practices will support employment growth and business excellence.

In response to a Panel recommendation, in FY 2020 the Commission completed its first-ever AbilityOne competition pilot test, in which nonprofit agencies competed for the Facility Support Operations Services (FSOS) contract at Fort Bliss, Texas. This pilot test achieved significant savings for the Army.⁹ In addition to realizing savings for Federal customers – and, by extension, taxpayers – competition pilot tests explore a path to improving contractor performance.

For more on the Commission’s implementation of Panel recommendations, see the Panel’s [second report to Congress](#). The Panel’s third report to Congress is scheduled to be submitted in December 2020.

Major Update to Compliance Policies

Associated Strategic Goals: Effective Stewardship

In FY 2020, the Oversight and Compliance Directorate began the Commission’s most significant update of Compliance policies and procedures in a decade. On August 15, 2020, the Commission released the following eight modified or new policies in the [Nonprofit Agency Compliance Policy \(51.400\) series](#). These policies replace the Commission’s informal Compliance Manual, which has been rescinded.

- [51.400 - Nonprofit Agency Overall Compliance Policy](#)
- [51.401 - Direct Labor Hour Ratio Requirements](#)
- [51.403 - Nonprofit Agencies Out of Compliance with Commission Regulations](#)
- [51.406 - Equal Employment Opportunity for People with Disabilities at AbilityOne-Participating Nonprofit Agencies](#)
- [51.407 - Disability Documentation Requirements - People Who Are Blind](#)
- [51.408 - Disability Documentation Requirements - People with Significant Disabilities](#)
- [51.409 - Maintaining Qualification of Nonprofit Agencies](#)

⁸ 2017 NDAA Section 898 “Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity.” Second Report to Congress, p. 3.

⁹ “Innovative contract approach earns MICC team Army award.” Daniel P. Elkins, Mission and Installation Contracting Command Public Affairs Office, December 26, 2019. Retrieved November 5, 2020 at https://www.army.mil/article/230389/innovative_contract_approach_earns_micc_team_army_award

- [51.410 - Processing Complaints by Employees of Nonprofit Agencies Performing Work on Contracts Under the AbilityOne Program](#)

Continuing to implement the Commission’s Cooperative Agreements with NIB and SourceAmerica

Associated Strategic Goals: Effective Stewardship, Employment Growth

The Commission signed its original [Cooperative Agreements](#) with NIB and SourceAmerica in 2016, following the requirements of the Consolidated Appropriations Act 2016. Three years later, the Commission completed renegotiations that refined and streamlined the Cooperative Agreements. The renegotiated agreements were signed in December 2018 (NIB) and June 2019 (SourceAmerica).

Four Key Performance Indicators (KPIs) provide a framework for the Commission to assess CNAs’ performance:

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

The Cooperative Agreements “establish key expectations for each CNA and mechanisms for the Commission to oversee their implementation,”¹⁰ including:

- 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 Commission’s Program Management Office monitors requirements, expectations, performance standards and quality assurance related to the Cooperative Agreements, processing and responding to over 100 Cooperative Agreement deliverables a year.

¹⁰ “Congressional Record” Volume 161, Number 184 (Thursday, December 17, 2015), H10292

Progress of American Foundation for the Blind as a CNA

Associated Strategic Goals: Effective Stewardship, Employee and Customer Satisfaction, Employment Growth, Business Excellence

In FY 2020, the Commission continued monitoring the CNA activities of American Foundation for the Blind (AFB), the first new CNA added to the AbilityOne Program since 1974.

AFB was designated as a CNA in July 2018, with focus areas that include knowledge-based jobs for people who are blind. As specified in its [Cooperative Agreement](#), AFB began its CNA work with research and studies focused on objectives including:

- Identifying innovative employment opportunities/careers and lines of business for people who are blind
- Identifying a model for continuous identification of employment opportunities, careers and lines of business
- Identifying multiple ways to identify blind veterans seeking employment, and the type of employment they desire, and providing them employment
- Identifying options the Commission, a CNA and/or an NPA may consider to increase and foster innovation in the AbilityOne Program.

In FY 2020, AFB continued its research and studies.

AFB's emphasis on knowledge-based jobs is designed to increase the number and variety of jobs available to people who are blind, increase competitiveness within the Program – thereby fostering business excellence – and ideally provide Federal customers with more choice in contracting with AbilityOne nonprofit agencies.

Continuing to Build the Office of Inspector General (OIG)

Associated Strategic Goals: Effective Stewardship

The OIG's mission is to promote the economy, efficiency, and effectiveness of AbilityOne programs and operations, and protect these programs and operations against fraud, waste, abuse and mismanagement.

In furtherance of its mission, the OIG conducts audits and investigations and regularly delivers reports to Congress. The Commission appointed its first permanent Inspector General in May 2017, and the OIG was fully operational by the beginning of FY 2018.

In FY 2020, the IG issued two semi-annual reports to Congress, as required by the Inspector General Act of 1978. The OIG also issued several audits, including separate performance audits of the AbilityOne Program Fee and the Cooperative Agreements. Additionally, the IG issued an annual report on the "Top Management and Performance Challenges" facing the Commission

and AbilityOne Program.¹¹ The Top Management and Performance Challenges Report for FY2020 includes as the most pressing challenges: (1) allocation of roles, resources, responsibilities, and authorities; (2) implementation of 898 panel recommendations; (3) Anti-deficiency Act violations; (4) transparency; (5) erosion of statutory program authority; (6) implementation of Cooperative Agreements; (7) a lack of risk management; and (8) needed enhancements to program compliance.

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

Associated Strategic Goals: Effective Stewardship, Employee and Customer Satisfaction, Business Excellence

The Commission established a Western U.S. Field Office in 2017, as required by the 2017 NDAA. The Field Office mission is to strengthen Commission oversight of the AbilityOne Program, support Federal customers, and provide a swift and efficient response to any performance concerns and regional NPAs.

Located at Joint Base Lewis-McChord in the state of Washington, and based on FY 2019 data, the office oversees 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. The office is also currently handling many issues in the Central Region, which contains 18 states and 175 nonprofit agencies, and for which the Commission has requested funding to establish a regional Field Office.

In FY 2020, the Commission made further progress in expanding the office’s operational profile. Major accomplishments included organizing and executing the second structured competition of work already on the Procurement List – the Fort Meade Base Operations Support Services (the first was the competition of the Fort Bliss Facility Support Operations Services contract); conducting two compliance inspections of at-risk NPAs, and conducting more than 30 meetings with Federal agencies related to current or potential AbilityOne Program orders.

Additionally, the Western U.S. Field Office was instrumental to the establishment of Commission’s COVID-19 Contingency Support Operations and Communications cell (COVID-19 CSOC), a single point of contact for Commission, CNAs, and approximately 500 nonprofit agencies during the pandemic. Highlights of the CSOC’s work included: (1) the first-ever coordinated response to queries regarding high-demand PPE inventory and sanitation services; (2) support to nonprofits in locating international materials during nationwide supply chain gaps and surges; and (3) real-time reporting on production and service site COVID-related disruptions.

¹¹ See Section 4.4

Continuing to Build the Directorate of Veterans Employment and Initiatives

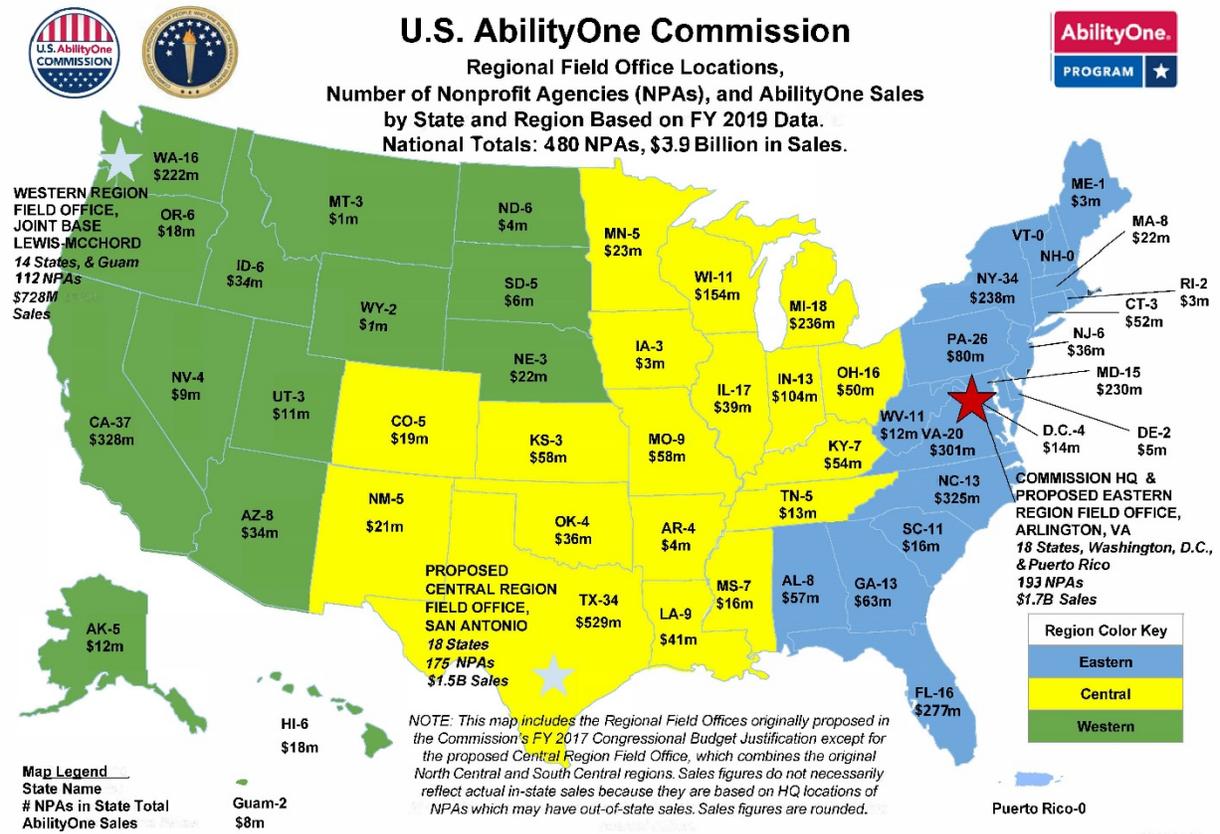
Associated Strategic Goals: Employee and Customer Satisfaction, Employment Growth, Business Excellence

The Directorate of Veterans Employment and Initiatives (DVEI) provides oversight, programming and strategic planning to maximize employment opportunities for transitioning service members and veterans who are blind or who have suffered catastrophic injuries or illness, consistent with the JWOD Act. The Directorate of Veterans Employment and Initiatives is a high return-on-investment area within the Commission. Staff seek veterans' employment opportunities by networking in the public and private sectors, pursuing the Section 898 Panel's recommendations, developing memoranda of agreement with other Federal agencies, and assisting AbilityOne Program nonprofit agencies with identifying lines of business requiring the professional skills that veterans gained from military experience.

The DVEI's major accomplishments in FY 2020 included establishing a nationwide apprenticeship program aimed at increasing career opportunities for veterans who are blind or have significant disabilities. The new program received an Apprenticeship Certificate from the Department of Labor in February 2020.

The AbilityOne Apprenticeship Program will give veterans the skills they need to pursue fulfilling professional careers in four in-demand fields: Business Management, Risk Management, Quality Management, and Occupational Health and Safety. The Commission will grow the apprenticeship program by expanding into trades that will offer veterans opportunities in other high paying careers.

1.5.3 AbilityOne Program Map¹²



¹² Larger map available on U.S. AbilityOne Commission [website](#) under Quick Links.

1.6 Analysis of Financial Statements and Stewardship Information

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

1.7 Analysis of Systems, Controls and Legal Compliance



U.S. ABILITYONE COMMISSION

FY 2020

Management Assurance Statement

The US AbilityOne Commission's (Commission) management states and assures that to the best of our knowledge:

1. In accordance with OMB Circular No. A-123, Section VI (B), we are issuing a qualified statement of assurance considering the OIG-identified material weaknesses indicated under paragraph (3). Except as indicated under (3), the system of internal control of this agency is functioning and provides reasonable assurance as to the: efficiency and effectiveness of programs and operations; reliability of financial and performance information; and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act (FMFIA) §2.
2. The financial management systems of the Commission are maintained by the Financial Management Shared Service Provider (FMSSP). Historically, the Agency has relied on its FMSSP to conduct its assessment of risk and internal control in accordance with Office of Management and Budget Circular A-123. In FY 2020, the Commission began establishing Complementary User Entity Controls, particularly for reconciliation of obligations and payments reported in FMSSP financial management system. The Commission has coordinated with its FMSS Provider on increased internal control procedures for the disbursement of funds, such as requiring two approving signatures for transactions involving prior year funds. The Commission appointed a Funds Control Officer to certify the availability of funds prior to Agency obligations and expenditures and issued an Administrative Control of Funds policy.

The Commission received an unmodified opinion in the FY2020 audit report. Although the agency increased awareness of internal controls by establishing financial and procurement policy and increased reviews of agency financial reporting with its FMSSP in the fourth quarter to remedy prior findings, the FY2020 audit continued to report findings of prior

material weaknesses, significant deficiencies, and noncompliance with laws and regulations as provided in section 3. The Commission's assessment identified transactions processed by our FMSSP early in FY 2020 that appear to be technical violations of law on the basis of time of the appropriations used. The Commission had the correct fiscal years' funding available during FY 2020 and submitted transactions to the FMSSP to make these corrections prior to the end of the fiscal year.

In accordance with the guidance in OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, the Commission will continue to work diligently to properly assess and update its management control structure to remediate the findings noted in the recent audits. Management is committed to designing and implementing a robust set of controls and to performing regular monitoring to ensure that the controls are operating effectively.

The Commission maintains accountability for assets and provide reasonable assurance, except as noted in our assessment and findings documented by the OIG under (3), that obligations and costs are in compliance with applicable law, and that performance data and proprietary and budgetary accounting transactions applicable to the agency are properly recorded and accounted for to permit the timely preparation of accounts and reliable performance information. The financial management systems at this agency satisfy the requirements of the FMFIA §4.

3. The Commission's Inspector General, in his auditor's report, identified financial reporting findings in budgetary and accounting areas.

Description of OIG Identified Findings

1. In FY 2019, the Independent Auditors' Report on the Commission's FY 2019 financial statement audit identified two material weaknesses in internal control over financial reporting, two significant deficiencies in internal control over financial reporting, and two instances of noncompliance with laws and regulations. Material weaknesses were identified for financial statements and footnotes not being prepared in accordance with generally accepted accounting principles and OMB Circular A136 and year-end accrued liabilities not estimated or accurately recorded in the general ledger. Noncompliance with laws and regulations were identified for Management Assurance statement not being prepared and ADA violations related to obligating expired funds. As a result, the Commission requested that its FMSSP conduct an internal review of all financial processes to ensure compliance with OMB Circular No. A-123 and Generally

Accepted Accounting Principles (GAAP). The Commission conducted its own internal assessment and identified several corrective actions that are underway. The corrective actions include:

- Increasing Commission staff familiarity with Appropriations Law, the GAO Red Book, OMB Circular A-136 and other authoritative guidance relating to appropriations and financial reporting requirements, to better oversee its FMSS Provider's performance and to ensure that its reporting requirements are being fulfilled.
- Retaining accounting consultants familiar with OMB Circular A-136 and other authoritative guidance, to provide expertise and support the Agency's oversight of its financial management, such as development of Complementary User Entity Controls.
- Hiring a Senior Budget Analyst to serve as the chief financial officer (CFO), on board by November 2, 2020, with the experience and expertise to review documents for conformance with A-136 requirements.
- Working with GSA and USDA Offices of the CFO on processes and controls that will result improve the Commission's financial management, including modification of the InterAgency Agreement to require meeting all current guidance and regulations.
- Coordinating with USDA on the ADA Reporting Letter required by OMB Circular A-11.
- The Commission's remediation work above continues in FY 2021 and will include all corrective actions necessary to fully address FY 2020 findings.

2. The findings from the Independent Auditors' Report on the Commission's FY 2020 financial statement audit identified two material weaknesses, four significant deficiencies in internal control over financial reporting, and one instance of noncompliance with Laws, Regulation, and Other Matters. Material weaknesses were identified for financial statements and footnotes not being prepared in accordance with generally accepted accounting principles and OMB Circular A136 and year-end accrued liabilities not estimated or accurately recorded in the general ledger. Noncompliance with laws and regulations were identified for potential ADA violations related to obligating expired funds. The Commission has requested that the FMSSP take corrective actions to resolve audit issues and outlined the next steps towards investigative measures for violations of laws. The Commission staff has reviewed each of these findings, and has or continues to take the following corrective actions:

- Requesting our FMSSP's compliance with the preparation and submission deadlines for its financial statements and required variance analyses; incorporating these requirements into our FY 2021 InterAgency Agreement Statement of Work.
- Onboarding the Commission's CFO on November 2, 2020, which will enable the Commission to leverage financial management expertise to better review, supplement, or submit required statements, variance analyses, and footnotes to OMB directly, if not done so by the FMSSP.
- Remedying root cause preventing the Agency's personnel documents from being placed into the Official Personnel Files (OPFs), and replacing copies of missing records in employees' electronic OPFs, with more frequent reviews of these files in the future.
- Reversing and correcting any remaining transactions that violated the ADA in the payment process, and implementing the procedures described above to prevent further violations.

- Implementing more robust review of upward and downward adjustments in the general ledger, including a reconciliation of the Undelivered Orders balances with the supporting documentation to ensure that transactions have been recorded correctly.
- Establishing policies and procedures for reimbursable activities to ensure verification of amounts, proper recording in the general ledger, necessary accruals, and overall process reviews to prevent errors.
- Implementing the remaining items in the Commission’s Corrective Action Plan of September 30, 2020.

Kimberly M. Zeich

for E. Ballard
Executive Director

1.8 Forward-Looking Information

Challenge: Insufficient Resources

The central challenge facing the Commission is a lack of resources. Flat appropriations since FY 2017 have effectively reduced funding due to the impact of cost of living adjustments, step increases, transit subsidies and inflation. At the same time, the Commission has had to meet a growing number of Congressional mandates.

As a result, the Commission has been unable to make key hires likely to improve agency performance. These needed FTEs include:

- Additional staff dedicated to compliance
- Staff to run additional competitions designed to increase Federal customer satisfaction and save taxpayer dollars
- A Deputy Chief Financial Officer whose responsibilities would include helping establish a formal, enterprise-wide framework to identify, analyze and manage risk, in accordance with OMB Circular A-123 requirements regarding Enterprise Risk Management.

The Commission needs additional funds to hire essential staff; update an aging and unsecure IT infrastructure (see below); meet Congressional mandates; maintain oversight of the Program; and modernize and implement improvements that will ensure a sustainable future for AbilityOne.

Challenge: Aging IT Infrastructure

This challenge is related to the “Insufficient Resources” challenge, above.

Underinvestment in Commission IT continues to imperil the mission. IT is increasingly the nerve center of every government entity. If the IT system(s) shut down, work essentially stops. The Commission’s IT platform is outdated, and there are no software updates for the Procurement List Information Management System (PLIMS), the Agency’s enterprise-level critical infrastructure backbone. To function within existing funding constraints, the Commission has made small stopgap investments in IT, but purchase of a new system is essential to agency operations.

Ensuring the security of the Commission’s data and systems is critical to the reliable functioning not only of the Commission, but of the AbilityOne Program as a whole. In the IT arena, the Commission has an outsized impact on AbilityOne’s national operations because the Agency maintains the AbilityOne Procurement List (PL). The PL includes 15,000 products and 4,000 services that provide employment for the approximately 45,000 AbilityOne employees who are blind or have significant disabilities.

The PL is managed through PLIMS. This database contains all records of additions of products and services to the PL – e.g., Commission decision documents, transactions, pricing, and supporting documents from CNAs and NPAs. PLIMS processes essential data on more than

22,000 transactions annually, including 4,700 pricing actions. PLIMS and the Commission's network are vulnerable for the following reasons:

- Obsolete, unsecure and unstable – PLIMS is 13 years old and operating on a Microsoft 2003 server. Cybersecurity risks are high.
- Data is not backed up – PLIMS is out of memory with no disk storage space.
- Persistent outages caused by unsupported software and failing hardware past its lifespan characterize PLIMS and the network.
- Escalating and emerging cyber threats pose a greater risk to the Commission compared to larger agencies because it lacks the resources to adequately defend and upgrade its IT systems.

Safeguarding PLIMS and the network requires additional investments in hardware, software and personnel. Additionally, the Commission needs investments that will assist it in complying with IT and cybersecurity mandates including:

- Presidential Decision Directive 63 (PDD 63), “Protecting America’s Critical Infrastructures”
- Federal Information Security Modernization Act of 2014 (FISMA), Public Law 113- 283; 128 Stat 3073
- OMB Circular A-130, “Managing Information as a Strategic Resource,” July 2016
- OMB Memorandum M-17-25, “Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure,” May 2017

In its budget requests, the Commission has requested additional funds for these investments in IT, but funding has remained flat since 2017.

Challenge: Erosion of Statutory Authority

As the OIG has noted in multiple “Top Management and Performance Challenges” reports, erosion of statutory authority is an ongoing challenge for the Commission. The AbilityOne Program was founded in 1938, and its scope and framework were revised in 1971. Subsequent legislation and policy have at times conflicted with the Program.

For example, the Commission is experiencing a major increase in litigation related to a variety of factors including legislative requirements in the 2017 NDAA Section 898 Panel, bid protests, contract disputes and administrative matters. In many instances, the litigation challenges the authority of the Commission to perform its mission rather than just challenging specific errors made in a single action. The risks associated with this increase in litigation and the nature of the challenges being made are exacerbated because the Agency is understaffed in its Office of the General Counsel.

In another example of statutory authority erosion, AbilityOne employment continues to suffer as a result of the Department of Education's Workforce Innovation and Opportunity Act guidance, which removed incentives for state vocational rehabilitation services to place candidates into AbilityOne.

Management Risks Associated with These Challenges

Potential risks associated with insufficient resources and aging IT include:

- An increase in non-compliance within the Program.
- Vulnerability to fraud, waste or abuse.
- Potential loss of Federal agency/customer confidence in the AbilityOne Program.
- Failure of the Commission's IT infrastructure.

Potential risks associated with erosion of statutory authority include:

- Continuing stagnation of employment growth.
- Potential reduction of the existing jobs of people who are blind and or have significant disabilities in the AbilityOne Program.

Agency Initiatives to Address These Challenges

In its recent budget requests, and in its ongoing outreach to key stakeholders, the Commission has explained the value and urgency of ensuring that the agency has adequate resources. As the OIG noted in its 2018 Top Management and Performance Challenges Report, "The Commission continues to pursue budget increases for Agency operations and resources to enable greater program oversight." This includes the Commission's Congressional Budget Requests, which outline resource requirements including those needed to address the mission threat posed by its aging IT infrastructure.

Regarding the challenge of statutory authority erosion posed by increased litigation, the Commission continues to actively address litigation by fully engaging with key stakeholders across government agencies and throughout the AbilityOne Program to advocate and take action, to the maximum extent of its ability and authority, in the best interests of the Program.

Section 2: Performance Section

Four strategic goals guide the Commission and AbilityOne Program.

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

These goals, which apply to all participants in the AbilityOne Program, support mission execution and performance excellence. Since the Commission is responsible for the direction and oversight of the Program, it monitors and measures participants' progress toward these strategic goals. The CNAs and NPAs also play critical roles in helping the Program achieve its goals.

2.1 Strategic Goal: Effective Stewardship

The Commission advances its stewardship work in several ways, including through its Oversight and Compliance Directorate. The Directorate oversees NPA compliance with statutory, regulatory and other AbilityOne requirements, ensuring that the AbilityOne Program adheres to laws and regulations, incorporates best practices, and benefits the population it is designed to serve. Strategic Objectives 2.1.1 and 2.1.2, discussed below, set out targets for the Commission's compliance work.

The Commission's Oversight and Compliance Directorate issues and monitors policy and procedures guidance, technical assistance and training to program participants; conducts inspections; reviews and addresses mandatory disclosures and complaints; performs comprehensive reviews of Annual Certifications; reviews proposed additions of products and services to the Procurement List for nonprofit agency qualification and capability; and provides support to the Office of Inspector General and/or the Department of Justice as needed for investigations. In FY 2020, the Oversight and Compliance Directorate began the Commission's most significant update of Compliance policies and procedures in a decade. *See Section 1.5, Performance Highlights, for more on this major update of Compliance policies.*

The Commission's stewardship work also includes continually assessing, improving and implementing its Cooperative Agreements with the CNAs; implementing Section 898 Panel recommendations; and expanding the capabilities of the Western U.S. Field Office.¹³

¹³ See Section 1.5, Performance Highlights, for more on the Cooperative Agreements, Section 898 Panel and Western U.S. Field Office.

Strategic Objective 2.1.1.

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

The Commission’s oversight of NPAs ensures compliance with statutory and regulatory Program requirements. NPAs must demonstrate that people who are blind or have significant disabilities provided at least 75 percent of the NPA’s overall direct labor hours worked during the fiscal year. The Commission’s Oversight and Compliance Directorate inspects and trains NPAs, and reviews NPAs’ certified data to determine compliance with requirements.

NPA compliance with 75 percent ratio: Four percent (19 NPAs) were out of compliance with the statutory ratio requirement in FY 2019, based on a review of certified data about the 480 nonprofit agencies participating in the AbilityOne Program through September 30, 2019. Consequences for noncompliance include probation and increased reporting requirements, suspension from consideration for future AbilityOne work opportunities, and/or removal of eligibility to participate in the Program. The Commission analyzes compliance-related data and trends to identify priorities for future training and communications.

The Commission analyzed reasons for NPA failure to comply with the direct labor hour ratio requirement in FY 2019. It found that the most frequent occurrences of noncompliance were linked to the inability to meet the 75 percent ratio requirement.

In response to the COVID-19 national emergency, in FY 2020 the Oversight and Compliance Directorate reviewed NPA requests for ratio relief in accordance with the Commission Chairperson’s April 1, 2020 memo titled [“AbilityOne Flexibilities Related to the Coronavirus \(COVID-19\) Emergency and Recovery for the duration of the Fiscal Year 2020.”](#) Under this guidance, NPAs were able to request permission to operate at a direct labor hour ratio below 75 percent, but not lower than 35 percent, through the end of FY 2020.

The Commission also reviewed the NPAs’ compliance with other regulatory requirements and assigned corrective action as necessary and monitored the percentage of deficiencies corrected either during or after its compliance reviews.

Table 2, below, shows how the FY 2019 Compliance numbers compare with the previous four years.

	<i>FY 2015 Results</i>	<i>FY 2016 Results</i>	<i>FY 2017 Results</i>	<i>FY 2018 Results</i>	<i>FY 2019 Results</i>
Nonprofits in Compliance	528/549	521/543	496/511	469/483	461/480
Percentage (Target 100%)	96.17%	95.95% ¹⁴	97.06%	97.10%	96.04%

Table 2. Five-Year Results for AbilityOne NPA Direct Labor Hour Ratio Compliance

¹⁴ This FY 2016 number has been adjusted since its publication in the FY 2017 and FY 2018 Performance and Accountability Reports.

The Commission ascertains NPA compliance through (1) on-site audits and (2) review of NPA annual reports that contain certified data. 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.

Every NPA in the AbilityOne Program must submit annual Representations and Certifications attesting to its compliance with appropriate statutory and regulatory requirements.

The Commission requires AbilityOne-participating NPAs to comply with statutory and regulatory requirements to maintain qualification and eligibility to participate in the AbilityOne Program. While there is no acceptable level of noncompliance, AbilityOne participants are afforded the opportunity to complete a corrective action plan to remediate deficiencies. The Commission's Compliance staff evaluates these plans and monitors them quarterly.

Strategic Objective 2.1.2.

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.

Commission compliance inspections are conducted on-site or, in the absence of a Commission inspection, by the CNAs via regulatory assistance visits in accordance with the Commission's guidance. From FY 2010 to FY 2016, the Commission staff completed a total of nearly 500 NPA on-site reviews, reaching more than 80 percent of all NPAs. The Commission also began conducting virtual compliance inspections during this period, to further extend the Agency's reach.

When the Cooperative Agreements were established with the Commission's two existing CNAs in 2016, the CNAs significantly increased the frequency of their regulatory assistance visits. During FY 2019, more than 350 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.

In FY 2019, the Commission staff continued to provide compliance training at CNA training conferences, as well as through one-on-one guidance to NPAs and distance learning.

The Commission staff has supported the Department of Justice and other Federal agencies in several investigations, reviewing the accuracy of documents and verifying reports and individual evaluations.

The Commission Compliance staff works closely with the OIG on civil fraud investigations, and with the Section 898 Panel to improve the process of initial qualifications to become a part of the AbilityOne Program.

2.2 Strategic Goal: Employee and Customer Satisfaction

It is not enough for the AbilityOne Program to create jobs: These jobs must also be professionally and personally fulfilling for employees. The Employee and Customer Satisfaction strategic goal recognizes that, when it comes to AbilityOne employment, quality is as important as quantity. This strategic goal also places the needs of Federal customers front and center.

Strategic Objective 2.2.1.

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. More information on the QWE initiative can be found on the Commission's website.

QWE is a voluntary program. In FY 2020, participation levels rose to 88 percent of employees working on AbilityOne contracts. Reaching the final 12 percent of AbilityOne employees will require a high adoption rate among the remaining, and often smaller, NPAs.

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 average job 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 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
- (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.

Strategic Objective 2.2.2.

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

In FY 2020, the Commission’s work with the multi-agency members of the Section 898 Panel provided the Commission with regular feedback from AbilityOne customers from DoD, the military services and other Federal agencies.

The Commission has devoted substantial resources to supporting the Panel and implementing its recommendations. Several recommendations have already been fully or partially implemented; others are in progress.

Most notably, the Commission’s competition pilot tests are a response to the Panel’s recommendations and Federal customer feedback. In FY 2020, the Commission completed its first AbilityOne competition pilot test, in which nonprofit agencies competed for the Facility Support Operations Services (FSOS) contract at Fort Bliss, Texas. The pilot achieved significant cost savings from the previous contract price.

Both the Army and Air Force have expressed interest in the pilot test results and have requested competitions of multiple additional contracts. In FY 2020, the Commission began the process of another competition pilot test, at Fort Meade, Maryland.¹⁵ The Commission’s FY 2021 Congressional Budget Request requested additional resources that would make more competitions possible.

Other FY 2020 activities aimed at increasing and sustaining Federal customer satisfaction included training sessions about AbilityOne and the PL process provided by the Commission’s Business Operations team. Provided to Federal customers including the Defense Contract Audit Agency, the Defense Logistics Agency-Troop Support, and GSA, these sessions reached an audience of more than 500.

¹⁵ “Contract approach to Fort Meade base operations boosts competition.” Daniel P. Elkins, Mission and Installation Contracting Command Public Affairs Office, May 12, 2020. Retrieved November 5, 2020 at https://www.army.mil/article/235543/contract_approach_to_fort_meade_base_operations_boosts_competition

2.3 Strategic Goal: Employment Growth

The Commission’s #1 goal for the AbilityOne Program is to increase employment for people who are blind or have significant disabilities. Metrics measuring progress toward this goal include number of AbilityOne employees, direct labor¹⁶ hours worked by these employees, items added to the Procurement List (PL), and more, as discussed below.

Strategic Objective 2.3.1

*Increase employment opportunities and quantity of work by people who are employed through the AbilityOne Program.*¹⁷

The latest Program-wide employment data (FY 2019) shows that year-over-year number of employees declined 3 percent overall, while direct labor hours rose .59 percent. A total of 1,498 employees in the AbilityOne Program received promotions, a 14.35 percent increase from the previous year.

	FY 2018	FY 2019	% Change
Direct Labor Hours	47,840,847	48,124,215	0.59%
Employees	44,006	42,684	-3.00%
Promotions	1,310	1,498	14.35%
Wages	\$656.2M	\$679.7M	3.58%
Average Hourly Wage	\$13.72	\$14.12	2.9%
Sales	3,607,749,461	3,938,264,508	9.16%

Table 1 (repeated). AbilityOne Program Employment Data through September 30, 2019

AbilityOne employment continues to suffer as a result of the Department of Education’s Workforce Innovation and Opportunity Act guidance, which removed incentives for state vocational rehabilitation services to place candidates into AbilityOne jobs.

¹⁶ Per [41 U.S.C. 8501](#) “The term ‘direct labor’—(A) includes all work required for preparation, processing, and packing of a product, or work directly relating to the performance of a service; but (B) does not include supervision, administration, inspection, or shipping.”

¹⁷ The language of this objective has been updated to be consistent with the [Cooperative Agreements](#).

The Commission's strategies for increasing employment include monitoring and executing the Cooperative Agreements with NIB and SourceAmerica. These Cooperative Agreements require each CNA to submit Employment Growth Plans and quarterly updates.

Additionally, the Commission works with the CNAs and AbilityOne customers to seek new product or service opportunities to add to the Procurement List. PL additions are the lifeblood of employment growth because they translate into direct labor hours in subsequent years.

Products added to the Procurement List in FY 2020 include:

- Bandage, Compression
- Broom Dustpan Combo
- Combat Lifesaver (CLS) Kit Medical Items
- Kitchen Towel Rolls
- Label Line Extension
- Lubricating Oils
- Magnetic Push Pins
- Military Resale, Bento Boxes
- Military Resale, Collapsible and Laminated Bags
- Military Resale, Dispensers
- Military Resale, Gear to Go Containers
- Military Resale, Glass Prep Bowls 4 Piece
- Military Resale, Grapefruit Saver Shipper
- Military Resale, Gravy Server
- Military Resale, Green Saver Herb Keeper
- Military Resale, Iced Tea Tumblers
- Military Resale, Microwave Bacon Crisper
- Military Resale, Microwave Popcorn Popper
- Military Resale, Microwave Steamer
- Military Resale, Mini Grate and Slice Set
- Military Resale, On The Go Containers
- Military Resale, OXO Bakeware
- Military Resale, OXO Cookware
- Military Resale, Paper Lunch Bag
- Military Resale, Pop and Glass Containers
- Military Resale, Pumpkin Carving Kit
- Military Resale, Salad Spinner
- Military Resale, Shelf Liner
- Military Resale, SKILCRAFT Pan, Frying, 11-Inch
- Military Resale, Sponge Duo
- Military Resale, Spring Form Pan 3 Piece
- Military Resale, Vegetable Chopper

- Multifold Towel
- Paper-Backed Abrasive Sheets (Sandpaper) and Reusable Sanding Sponges
- Photo Luminescent Safety Products
- ProPack Rack & Hook
- Shipper Scale
- Shirts, Longsleeve, Pink and Green, Dress (Men's)
- Trousers, Men's, Pink and Green, Dress
- Universally Sized Face Covering

Services added to the Procurement List in FY 2020 include:

- Administrative Support Service, Defense Threat Reduction Agency, Fort Belvoir, VA
- Base Supply Center for New Mexico National Guard, Santa Fe, NM
- Conference Center Management, Transportation Security Administration Headquarters, Springfield, VA
- Custodial Service, Dept. of Defense Education Activity, Fort Campbell, KY
- Custodial Service, Federal Aviation Administration, Cheyenne, WY
- Custodial Service, U.S. Air Force, Hurlburt Field, FL
- Custodial, Wright Patterson Air Force Base, OH
- Facility Maintenance Support, U.S. Marshals Special Operations Group, Pineville, LA
- Grounds Maintenance, Defense Information Systems Agency, Building 3600, Scott Air Force Base, IL
- Grounds Maintenance, Defense Information Systems Agency, Building 5160, Scott Air Force Base, IL
- Grounds Maintenance, Federal Aviation Administration, Charlotte Air Traffic Control Tower, Charlotte, NC
- Grounds Maintenance, U.S. Army Corps of Engineers, Bay Model Visitor Center, Sausalito CA
- GSA/WAS 4PL Support Services, San Diego, CA
- Hospitality Services, U.S. Customs and Border Protection, ATC Lodge & Conference Center, Harpers Ferry, WV
- IT Service Desk Operations, U.S. Army Mission and Installation Contracting Command, Fort Knox, KY
- IT Support, Eglin Air Force Base, FL
- Janitorial & Grounds, Federal Aviation Administration, Air Traffic Control Tower, Teterboro, NJ
- Janitorial Service, U.S. Army Corps of Engineers, Bay Model Visitor Center, Sausalito, CA
- Janitorial Service, U.S. Coast Guard, Training Center Petaluma, Novato, CA
- Janitorial, General Services Administration, Old Chamber Bldg. (2nd Floor - Judges Space), Billings, MT
- Laundry Services, Naval Branch Health Clinic, Millington, TN

- Medical Appointment and Referral Call Center, U.S. Air Force, Eglin Air Force Base, FL
- Medical Documentation Conversion Services, Army National Guard, Arlington, VA
- Mess Attendant Service, Air Force Services Agency, Barksdale Air Force Base, LA
- Mess Attendant Service, Air Force Services Agency, Dyess Air Force Base, TX
- Mess Attendant Service, Air Force Services Agency, F.E. Warren Air Force Base, WY
- Mess Attendant Service, Air Force Services Agency, Fairchild Air Force Base, WA
- Transportation Maintenance and Operations Services, Marine Corps Installations East, Camp Lejeune, NC
- Warehouse and Distribution Services, Community Oriented Policing Services, U.S. Dept. of Justice, Washington, DC

Strategic Objective 2.3.2

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 that 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 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. In FY 2018, the percentage of "leakage" or sale of products that are essentially the same as AbilityOne products decreased substantially, from approximately 10 percent leakage within certain Government sales channels to less than three 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 Thomas D. Robinson – the Commission's Chairperson through October 2020 – 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 to facilitate communication opportunities for AbilityOne participants and public policy thought leaders.

2.4 Strategic Goal: Business Excellence

The Commission's focus on Business Excellence includes its work to implement the Section 898 Panel's recommendations, several of which deal with business processes. *See Section 1.5, Performance Highlights, for more on the Section 898 Panel.*

Beyond its Panel-related initiatives, the Commission continually strives to improve the efficiency and efficacy of three critical business processes:

- (1) Procurement List addition process, which generates employment, as discussed above
- (2) Fair market pricing policy and procedures
- (3) Program Fee determination and implementation process

Strategic Objective 2.4.1

Improve the Procurement List end-to-end process

To improve the Procurement List end-to-end process, the Commission has been updating manuals for its Procurement List Information Management System (PLIMS), working in collaboration with NIB and SourceAmerica. The updated manuals will clarify guidance on what information NIB and SourceAmerica 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, which delays project finalization. The updated manuals will help smooth and streamline the Procurement List end-to-end process. In FY 2020, the Commission continued its process of constantly updating the PLIMS manuals to provide current information to the CNAs.

Strategic Objective 2.4.2

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 2020, as part of its efforts to increase transparency of AbilityOne pricing, the Commission began a process of developing materials to enhance communications between the Program and its Federal customers to increase transparency about the AbilityOne Program.

Within the AbilityOne Program, the Commission's continuing task is to find 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 2.4.3

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

The Commission's Cooperative Agreements with NIB and SourceAmerica create a link between CNA performance and Program Fees, which fund CNA activities. Because of this link, the Commission's oversight of the Program Fees is part of its work to enhance and maintain Business Excellence, a core strategic goal.

The CNAs are private entities, and are not funded by appropriation, but instead receive a Program Fee of nearly 4 percent of AbilityOne Program sales. (The newest CNA, American Foundation for the Blind, is in a research phase and is not receiving a Program Fee.) The Program Fee is paid by NPAs to their CNA. Authority for the CNAs to collect a fee was initially established in the Commission's regulation at 41 C.F.R. 51-3.5.

In April 2020, the Commission adjusted the Program Fee Ceilings for NIB and SourceAmerica: Effective April 1, 2020, to March 31, 2021, the Program Fee Ceilings are 3.75% for National Industries for the Blind (NIB) and 3.75% for SourceAmerica.

The Program Fee Ceilings apply to Procurement List additions, annual price changes for products, base year renewals for services, and bilateral contract modifications that result in a price change submission to the Commission.

Section 3: Financial Section



**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, 2020 and 2019

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

BALANCE SHEET

As of September 30, 2020 and 2019

		2020	Restated 2019
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 2,584,294.51	\$1,490,946.40
Accounts Receivable		124,900.02	
Other:			
Advances and Prepayments		25,926.64	25,418.48
Total Intragovernmental		2,735,121.17	1,516,364.88
Accounts Receivable, net	(Note 3)	1,553.96	
General Property, Plant and Equipment, Net	(Note 4)		3,104.79
Total Assets		\$ 2,736,675.13	\$ 1,519,469.67
Liabilities:			
Intragovernmental:	(Note 5)		
Accounts Payable		6,829.09	2,654.74
Other:	(Note 6)		
Employer Contributions and Payroll Taxes Payable		56,454.09	43,498.76
Unfunded FECA Liability			1,308.46
Total Intragovernmental		63,283.18	47,461.96
Accounts Payable		298,330.59	201,108.76
Disbursements in Transit			8,387.28
Other:	(Note 6)		
Accrued Funded Payroll and Leave		280,518.84	172,792.40
Employer Contributions and Payroll Taxes Payable		8,532.37	7,227.21
Unfunded Leave		542,217.83	458,718.77
Contingent Liabilities	(Note 9)	9,750.00	14,925.00
Total Liabilities		\$ 1,202,632.81	\$ 910,621.38
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		2,063,639.52	1,079,387.27
Cumulative Results of Operations - All Other Funds		(529,597.20)	(470,538.98)
Total Net Position - All Other Funds (Consolidated)		1,534,042.32	608,848.29
Total Net Position		\$ 1,534,042.32	\$ 608,848.29
Total Liabilities and Net Position		\$ 2,736,675.13	\$ 1,519,469.67

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

For The Years Ended September 30, 2020 and 2019

	2020	Restated 2019
Program Costs:		
ABILITY ONE:		
Gross Costs	\$ 9,466,205.70	\$9,618,824.62
Less: Earned Revenue	\$ 124,900.02	\$
Net Program Costs	9,341,305.68	9,618,824.62
Net Cost of Operations	\$ 9,341,305.68	\$ 9,618,824.62

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2020 and 2019**

FY 2020 (CY)

	<u>Consolidated Total</u>
Unexpended Appropriations:	
Beginning Balance	1,231,698.15
Adjustments:	
Corrections of errors	(152,310.88)
Beginning Balance, as adjusted	1,079,387.27
Budgetary Financing Sources:	
Appropriations received	10,000,000.00
Other adjustments	(137,892.51)
Appropriations used	(8,877,855.24)
Total Budgetary Financing Sources	984,252.25
Total Unexpended Appropriations	2,063,639.52
Cumulative Results from Operations:	
Beginning Balances	\$ (455,613.98)
Corrections of errors	137,385.88
Beginning balance, as adjusted	(318,228.10)
Budgetary Financing Sources:	
Appropriations used	8,877,855.24
Other Financing Sources (Non-Exchange):	
Imputed financing	252,081.34
Total Financing Sources	9,129,936.58
Net Cost of Operations	9,341,305.68
Net Change	(211,369.10)
Cumulative Results of Operations	\$ (529,597.20)
Net Position	\$ 1,534,042.32

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, 2020 and 2019**

Restated FY2019 (PY)

	<u>Consolidated Total</u>
Unexpended Appropriations:	
Beginning Balance	2,248,192.90
Adjustments:	
Corrections of errors	(138,674.72)
Beginning Balance, as adjusted	2,109,518.18
Budgetary Financing Sources:	
Appropriations received	8,250,000.00
Other adjustments	(39,100.59)
Appropriations used	(9,241,030.32)
Total Budgetary Financing Sources	1,030,130.91
Total Unexpended Appropriations	1,079,387.27
Cumulative Results from Operations:	
Beginning Balances	\$ (417,363.88)
Corrections of errors	(36,121.27)
Beginning balance, as adjusted	(453,485.15)
Budgetary Financing Sources:	
Appropriations used	9,241,030.32
Other Financing Sources (Non-Exchange):	
Imputed financing	360,740.47
Total Financing Sources	9,601,770.79
Net Cost of Operations	(9,618,824.62)
Net Change	(17,053.83)
Cumulative Results of Operations	\$ (470,538.98)
Net Position	\$ 608,848.29

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**

For The Years Ended September 30, 2020 and 2019

	<u>2020 Budgetary</u>	<u>2019 Budgetary</u>
BUDGETARY RESOURCES		
Unobligated balance from prior year budget authority, net	694,651.73	1,338,216.20
Appropriations (discretionary and mandatory)	10,000,000.00	8,250,000.00
Spending authority from offsetting collections (discretionary and mandatory)	250,000.00	0.00
Total budgetary resources	<u><u>\$ 10,944,651.73</u></u>	<u><u>\$ 9,588,216.20</u></u>
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	(Note 8) \$ 10,278,977.26	\$8,975,163.20
Unobligated balance, end of year:		
Apportioned, unexpired account	178,332.66	75,172.15
Unexpired unobligated balance, end of year	178,332.66	75,172.15
Expired unobligated balance, end of year	487,341.81	537,880.85
Unobligated balance, end of year (total)	665,674.47	613,053.00
Total budgetary resources	<u><u>\$ 10,944,651.73</u></u>	<u><u>\$ 9,588,216.20</u></u>
OUTLAYS, NET		
Outlays, net (total) (discretionary and mandatory)	8,768,759.38	9,215,979.55
Agency outlays, net (discretionary and mandatory)	<u><u>\$ 8,768,759.38</u></u>	<u><u>\$ 9,215,979.55</u></u>

The accompanying notes are an integral part of these statements.

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

GENERAL FUND

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.

The Office of Inspector General (OIG) was established in 2016 as a result of the amendment to the Consolidated Appropriations Act of 2016 (P.L. 114-113). The OIG is a designated federal entity responsible for conducting audits and investigations; recommending policies and procedures that promote economy, efficiency, and effectiveness of agency resources and program; and preventing fraud, waste, abuse, and mismanagement.

The Committee received \$10,000,000 in appropriated funding for FY 2020, with the stipulation that “No less than \$1,650,000 shall be available for the Inspector General”.

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, 2020, 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with Generally Accepted Accounting Principles (GAAP). 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 and OIG receive annual appropriations. Other financing sources for the Committee recognize the costs in the general ledger, 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 estimates.

Fund balance with Treasury

The Committee and OIG maintain 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, provide 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.

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,

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$10,000 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. Budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior 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 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal employee benefits (Continued)

which the Committee automatically contributes one percent of employee pay and matches employee contributions up to an additional four percent of pay.

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.

Classified Activities

Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information

NOTE 2 – FUND BALANCE WITH TREASURY

The fund balance with treasury is a consolidated balance of five annual funds (FY 2015, FY 2016, FY 2017, FY2018 and FY 2020). The FY 2015 annual fund was canceled and the remaining \$137,892.15 fund balance given back to US Treasury during FY 2020.

NOTE 2 – FUND BALANCE WITH TREASURY (CONTINUED)

	<u>2020</u>	<u>2019</u>
A. Fund Balance with Treasury		
General Fund	<u>\$2,584,294.51</u>	<u>\$1,490,946.40</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	178,332.66	75,172.15
b) Unavailable	487,341.81	537,880.85
2) Obligated Balance not yet Disbursed	<u>1,918,620.04</u>	<u>877,893.40</u>
Total	<u>\$2,584,294.51</u>	<u>\$1,490,946.40</u>

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Accounts Receivable - With the Public	<u>\$1,553.96</u>	<u>\$0.00</u>
Accounts Receivable – Intragovernmental	\$124,900.02	\$0.00

NOTE 4 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2020, 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 \$0. The Accumulated Depreciation to date was \$113,301.71.

<u>2020</u>	<u>Equipment</u>	<u>Leasehold</u>	<u>Total</u>
Cost	\$113,301.71	258,074.37	\$371,376.08
Accum. Depr.	(\$113,301.71)	(258,074.37)	(\$371,376.08)
Net Book Value	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>2019</u>	<u>Equipment</u>	<u>Leasehold</u>	<u>Total</u>
Cost	\$113,301.71	258,074.37	\$371,376.08
Accum. Depr.	(\$110,196.92)	(258,074.37)	(\$368,271.29)
Net Book Value	<u>\$3,104.79</u>	<u>\$0.00</u>	<u>\$3,104.79</u>

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the Committee are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2020, the Committee showed liabilities covered by budgetary resources of \$650,664.98 and liabilities not covered by budgetary resources of \$542,217.83.

	<u>2020</u>	<u>Restated 2019</u>
Intragovernmental		
Accounts Payable	6,829.09	2,654.74
Employer Contributions & Payroll Taxes	56,454.09	43,498.76
Unfunded FECA	-	1,308.46
Total Intragovernmental	<u>63,283.18</u>	<u>47,461.96</u>
With the Public		
Accounts Payable	298,330.59	201,108.76
Accrued Funded Payroll & Leave	280,518.84	172,792.40
Employer Contributions & Payroll Taxes	8,532.37	7,227.21
Unfunded Leave	542,217.83	458,718.77
Contingent Liabilities	9,750.00	14,925.00
Total With the Public	<u>1,139,349.63</u>	<u>854,772.14</u>
Total Liabilities	<u><u>1,202,632.81</u></u>	<u><u>902,234.10</u></u>
Total liabilities not covered by budgetary resources	551,967.83	474,952.23
Total liabilities covered by budgetary resources	<u>650,664.98</u>	<u>427,281.87</u>
Total Liabilities	<u><u>1,202,632.81</u></u>	<u><u>902,234.10</u></u>

NOTE 6 – OTHER LIABILITIES

Other liabilities with the public for the year ended September 30, 2020 and 2019 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.

NOTE 6 – OTHER LIABILITIES (CONTINUED)

	FY 2020		
	Non-Current	Current	Total
Intragovernmental			
Accounts Payable	-	6,829.09	6,829.09
Employer Contributions and Payroll Taxes Payable	-	56,454.09	56,454.09
Total Intragovernmental	-	63,283.18	63,283.18
Liabilities with the Public			
Accounts Payable	-	298,330.59	298,330.59
Accrued Funded Payroll & Leave	-	280,518.84	280,518.84
Contingent Liabilities	9,750.00	-	9,750.00
Employer Contributions and Payroll Taxes Payable	-	8,532.37	8,532.37
Unfunded Leave	542,217.83	-	542,217.83
Total Liabilities with the Public	551,967.83	587,381.80	1,139,349.63
Total Other Liabilities	551,967.83	650,664.98	1,202,632.81

Restated FY 2019

	Non-Current	Current	Total
Intragovernmental			
Accounts Payable	-	2,654.74	2,654.74
Employer Contributions and Payroll Taxes Payable	-	43,498.76	43,498.76
Unfunded FECA	1,308.46	-	1,308.46
Total Intragovernmental	1,308.46	46,153.50	47,461.96
Liabilities with the Public			
Accounts Payable	-	201,108.76	201,108.76
Accrued Funded Payroll & Leave	-	172,792.40	172,792.40
Contingent Liabilities	14,925.00	-	14,925.00
Employer Contributions and Payroll Taxes Payable	-	7,227.21	7,227.21
Unfunded Leave	458,718.77	-	458,718.77
Total Liabilities with the Public	473,643.77	381,128.37	854,772.14
Total Other Liabilities	474,952.23	427,281.87	902,234.10

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

NOTE 7 – LEASES (CONTINUED)

1, 2013 and has been extended until March 8, 2021. 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, 2020 and 2019 were \$353,715 and \$377,648, respectively.

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

Fiscal Year	Office Space Cost Estimates
2021*	\$440,000
2022	\$440,000
Total future payments	\$880,000

*Additional funds of \$1.35M was budgeted for one-time expense to move HQ to a new location.

The OIG occupies office space under a lease agreement that is accounted for as an operating lease. The OIG’s initial 36 month lease agreement signed October 1, 2016 included 6,329 sqft of office space and estimated total operating cost of \$215,297. However, in 2018 the OIG moved to a different office and reduced their space to 1,631 sqft of office space with an estimated total operating cost of \$56,581.78. Lease payments are increased annually based on the OIG’s proportionate share of the building’s operating expenses and real estate taxes. The total operating lease expenses as of September 30, 2020 and 2019 were \$95,370 and \$56,583.

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

Fiscal Year	Office Space Cost Estimates
2021	\$60,000
2022	\$60,000
Total future payments	\$120,000

NOTE 8 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS REIMBURSABLE OBLIGATIONS

All obligations for the Commission in fiscal year 2020 and fiscal year 2019 are category B on the SF 132, *Apportionment and Reapportionment Schedule*. Apportioned amounts appear on different groups of lines in the application of budgetary resources of an apportionment. Amounts are identified as Category B in an apportionment by a specific program, project, or activity. The amount of direct and reimbursable new obligations and upward adjustments incurred against amounts apportioned under category B are as follows:

NOTE 8 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS REIMBURSABLE OBLIGATIONS (CONTINUED)

	<u>2020</u>	<u>2019</u>
Direct		
Category B	\$10,153,877.28	\$8,975,163.20
Reimbursable		
Category B	<u>\$ 125,099.98</u>	<u>\$ -</u>
Total	<u>\$ 10,278,977.26</u>	<u>\$ 8,975,163.20</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

As of September 30, 2020, the Commission is a party to two legal actions for which the likelihood of loss is probable. Accordingly, a provision for these losses, which total \$9,750, is included in the financial statements. In addition, as of September 30, 2020, there are three pending matters for which there is at least a reasonable possibility of an adverse outcome. These losses have an estimated ranges of loss of \$0, \$50,000 - \$300,000, and \$10,000 - \$90,000. As of September 30, 2019, there was one legal action for which the likelihood of loss was probable and the estimated amount for this loss was \$14,925. In addition, there were three pending matters for which there was at least a reasonable possibility of an adverse outcome with an estimated range of loss between \$10,000 to \$90,000. These actions are disclosed in accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government, as amended by SFFAS No. 2, Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government.

NOTE 10 – INTER-ENTITY COSTS

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Commission are recognized as imputed cost, and are offset by imputed revenue. The amounts of Imputed Costs and Financing Sources were \$252,081.34 for FY 2020 and \$360,740.47 for FY 2019. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

NOTE 11 - UNDELIVERED ORDERS AT THE 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. \$1,543,881.70

NOTE 11 - UNDELIVERED ORDERS AT THE END OF THE PERIOD (CONTINUED)

was the amount of the Committee's budgetary resources obligated for undelivered orders as of September 30, 2020 and is due to recoveries of prior year obligations and expired unobligated balances being reported.

	<u>2020</u>	<u>2019</u>
Federal Undelivered Orders	96,246.58	43,494.44
Non-Federal Undelivered Orders	<u>1,447,635.12</u>	<u>424,148.09</u>
Total Federal/Non-Federal Undelivered Orders	1,543,881.70	467,642.53
Paid Undelivered Orders - Federal	25,926.64	25,418.28
Paid Undelivered Orders - Non Federal		
Unpaid Undelivered Orders - Federal	70,319.94	18,076.16
Unpaid Undelivered Orders - Non Federal	<u>1,447,635.12</u>	<u>424,148.09</u>
Total Paid/Unpaid Undelivered Orders	1,543,881.70	467,642.53
Total Undelivered Orders	1,543,881.70	467,642.53

NOTE 12 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government (Budget)*.

The Budget that will include FY 2020 actual budgetary execution information is scheduled for publication in February 2021, 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 2019 SBR and the related President's Budget reflected the following:

NOTE 12 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT (CONTINUED)

FY2019	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 9,588,216.20	\$ 8,975,163.20	\$ -	\$ 9,215,979.55
Difference - Unobligated balance brought forward, Oct 1	<u>\$ 1,588,216.20</u>	<u>\$ 975,163.20</u>	<u>\$ -</u>	<u>\$ (784,020.45)</u>
<i>Budget of the U.S. Government</i>	<u>8,000,000.00</u>	<u>8,000,000.00</u>	<u>\$ -</u>	<u>10,000,000.00</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 the U.S Budget does not report expired unobligated balances (actual was \$1,338,216.20) and recoveries of prior year obligations. 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 13 – RECONCILIATION OF NET COST TO OUTLAYS

The Committee has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

FY 2020:

		With the Public	Total
Net Operating Cost (SNC)	2,209,932.49	7,131,373.19	9,341,305.68
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment		(3,104.79)	(3,104.79)
Other	-	9,750.00	9,750.00
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	124,900.02	1,553.96	126,453.98
Other assets	508.16	-	508.16
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(6,829.09)	(289,943.31)	(296,772.40)
Salaries and benefits	(12,955.33)	(56,270.52)	(69,225.85)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	-	(88,074.06)	(88,074.06)
Other financing sources			
Federal employee retirement benefit costs	(252,081.34)		(252,081.34)
Donations		-	
Total Components of Net Operating Cost Not Part of the Budget Outlays	(146,457.58)	(426,088.72)	(572,546.30)
Net Outlays (Calculated Total)	2,063,474.91	6,705,284.47	8,768,759.38
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR Line 4190)			8,768,759.38
Agency Outlays, Net (SBR Line 4210)			8,768,759.38

NOTE 13 – RECONCILIATION OF NET COST TO OUTLAYS (CONTINUED)

FY2019:

	<u>Intragovernmental</u>	<u>With the Public</u>	<u>Total</u>
Net Operating Cost (SNC)	9,603,882.20		9,603,882.20
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation		(11,332.53)	(11,332.53)
(Increase)/Decrease in Assets not affecting Budget Outlays:			
Accounts receivable		(3,827.13)	(3,827.13)
Other Assets	25,418.48		25,418.48
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable		14,108.50	14,108.50
Salaries and benefits	(225.75)	(50,715.84)	(50,941.59)
Other liabilities		(23,090.44)	(23,090.44)
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Federal employee retirement benefit costs	(338,237.94)		(338,237.94)
Total Components of Net Operating Cost Not Part of the Budget Outlays	<u>(313,045.21)</u>	<u>(74,857.44)</u>	<u>(387,902.65)</u>
Net Outlays (Calculated Total)	<u>9,290,836.99</u>	<u>(74,857.44)</u>	<u>9,215,979.55</u>
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR Line 4190)			<u>9,215,979.55</u>
Agency Outlays, Net (SBR Line 4210)			<u>9,215,979.55</u>

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 13, 2020, which is the date the financial statements were available to be issued.

NOTE 15 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD, OCTOBER 1

During the years ended September 30, 2020 and 2019, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2019 and 2018. These adjustments include, among other things, upward adjustments to undelivered and delivered orders that were obligated in a prior year fiscal year. The adjustments during the years ended September 30, 2020 and 2019 are presented below.

NOTE 15 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD, OCTOBER 1 (CONTINUED)

	<u>2020</u>	<u>2019</u>
Unobligated balance brought from prior year:	<u>613,053.00</u>	<u>763,720.38</u>
Adjustments made during the current year		
Downward Adjustments of prior year undelivered orders	188,092.30	572,737.07
Other changes in unobligated balances	(106,493.57)	(1,758.75)
Unobligated balance brought from prior year budget authority,	<u>694,651.73</u>	<u>1,334,698.70</u>

NOTE 16 – RESTATEMENTS

The FY 2019 Financial Statements for Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position were restated due to a correction of a material misstatement. The corrections related to the restatement of the beginning and ending balances of Accounts Payable due to the omission of estimate and recording of accounts payable accruals for FY 2018 and FY 2019 and the overstatement of the Accrued Funded Payroll and Leave accrual, the understatement of imputed cost, the omission of Unfunded FECA and Unemployment Benefits balances, and the misstatement of the Contingent Liabilities balance as of 9/30/2019. The restatements were imminently performed due to timing of when the current year financial statements were being prepared. The Table below identifies corrections made.

Summary of Restated Balances - FY 2019			
Balance Sheet			
	2019	Correction	2019 Restated
Liabilities			
Intragovernmental			
Accounts Payable	-	2,654.74	2,654.74
Other			-
Employer Contributions and Payroll Taxes Payable	43,498.76	-	43,498.76
Unfunded FECA Liability	-	1,308.46	1,308.46
Total Intragovernmental	43,498.76	3,963.20	47,461.96
Liabilities With the Public			
Accounts Payable	-	201,108.76	201,108.76
Disbursements in Transit	8,387.28	-	8,387.28
Other			-
Accrued Funded Payroll and Leave	225,553.48	(52,761.08)	172,792.40
Employer Contributions and Payroll Taxes Payable	7,227.21	-	7,227.21
Unfunded Leave (Note 5)	458,718.77	-	458,718.77
Contingent Liabilities	10,000.00	4,925.00	14,925.00
Total Liabilities	753,385.50	157,235.88	910,621.38
Net Position			
Unexpended Appropriations - Other Funds	1,231,698.15	(151,002.42)	1,080,695.73
Cumulative Results of Operations - Other Funds	(465,613.98)	(6,233.46)	(471,847.44)
Total Net Position	766,084.17	(157,235.88)	608,848.29
Total Liabilities And Net Position	1,519,469.67	-	1,519,469.67
Statement of Net Cost			
Gross costs	9,613,882.20	4,942.42	9,618,824.62
Net Cost of Operations	9,613,882.20	4,942.42	9,618,824.62
Statement of Changes in Net Position			
Unexpended Appropriations:			
Beginning Balances	2,248,192.90	-	2,248,192.90
Adjustments			-
Changes in Accounting Principles	-	-	-
Corrections of Errors	-	(138,674.72)	(138,674.72)
Beginning Balances, as Adjusted	2,248,192.90	(138,674.72)	2,109,518.18
Budgetary Financing Sources:			
Appropriations Received	8,250,000.00	-	8,250,000.00
Appropriations Used	(9,227,394.16)	(12,327.70)	(9,239,721.86)
Other Adjustments	(39,100.59)	-	(39,100.59)
Total Budgetary Financing Resources	(1,016,494.75)	(12,327.70)	(1,028,822.45)
Total Unexpended Appropriations	1,231,698.15	(151,002.42)	1,080,695.73
Cumulative Results of Operations:			
Beginning Balances	(417,363.88)		(417,363.88)
Prior Period Adjustments - Error Corrections	-	(36,121.27)	(36,121.27)
Beginning Balances, as Adjusted	(417,363.88)	(36,121.27)	(453,485.15)
Budgetary Financing Sources:			
Appropriations Used	9,227,394.16	12,327.70	9,239,721.86
	-		-
Other Financing Sources (Non Exchange):			
Imputed Financing	338,237.94	22,502.53	360,740.47
Total Financing Sources	9,565,632.10	34,830.23	9,600,462.33
Net Cost of Operations	(9,613,882.20)	(4,942.42)	(9,618,824.62)
Net Change	(48,250.10)	29,887.81	(18,362.29)
Cumulative Results of Operations	(465,613.98)	(6,233.46)	(471,847.44)
Net Position	766,084.17	(157,235.88)	608,848.29

Financial Statement Audit



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

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

November 16, 2020

MEMORANDUM

FOR: Jeffrey A. Koses
Chairperson
U.S. AbilityOne Commission

Tina Ballard
Executive Director

FROM: Thomas K. Lehrich
Inspector General

SUBJECT: Audit of the U.S. AbilityOne Commission's Financial Statements For Fiscal Year 2020, Report No. 21-01

I am pleased to provide the audit report on the U.S. AbilityOne Commission's (Commission) financial statements. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm, Allmond & Company, LLC (Allmond & Company), to audit the Commission's financial statements and related footnotes as of September 30, 2020, and for the year then ended. The contract requires that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget bulletin, Audit Requirements for Federal Financial Statements.

Results of the Independent Audit

Allmond & Company found:

- For FY2020, the financial statements are fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles,
- There were six findings regarding the financial statements including:
 1. Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and OMB Circular A-136



2. Year-End Accrued Liabilities Not Properly Estimated or Accurately Recorded
3. Employee Benefits Election Forms Were Not Maintained in eOPF per OPM Requirements
4. Lack of Sufficient Controls over Financial Reporting of Balances Relating to Upward and Downward Adjustments of Prior Year Obligations
5. Improvements Needed in the Recording of Activity Relating to Reimbursable Activity and the Collection of Reimbursable Payments
6. Actual and Potential ADA Violations Relating to the Obligation of Expired Funds
 - Two material weaknesses and three significant deficiencies in internal controls over financial reporting,
 - One reportable noncompliance with applicable provisions of laws, regulations, and contracts tested.
 - During the FY2020 audit, the Commission corrected misstatements in their FY2019 financial statements and restated the balance sheet, statement of net cost, statement of net position, and the related footnotes. These corrections enable a restatement of the FY2019 financial statements and led to an unmodified opinion on the restated financial statements.

The independent audit report includes two material weaknesses and three significant deficiencies related to the Commission’s internal control over financial reporting, and one finding related to noncompliance. Allmond & Company considered internal control relevant to the preparation and fair presentation of the financial statements in order to design their audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Evaluation and Monitoring of Audit Performance

The Inspector General Act of 1978, as amended, requires that the Inspector General take appropriate steps to assure that any work performed by non-Federal auditors complies with the auditing standards established by the Comptroller General. We evaluated the independence, objectivity, and qualifications of the auditors and specialists; reviewed the plan and approach of the audit; monitored the performance of the audit; sought and obtained clarification of the auditor's methodology and findings; and reviewed Allmond & Company's reports and related audit documentation.

Allmond & Company is responsible for the attached independent auditor’s report and the conclusions expressed therein. The OIG does not express opinions on the Commission’s financial statements or internal control over financial reporting, or conclusions on compliance or other matters. The audit report provides an opinion on the Commission’s financial statements,



and communicates reporting requirements on internal control over financial reporting and compliance with laws and regulations.

The OIG would like to thank the Commission staff for the assistance and cooperation. If you have any questions or need additional information, please contact me.

Enclosure: *Independent Auditor's Report September 30, 2020*



U.S. AbilityOne Commission
Fiscal Year 2020 Financial Statement Audit

Independent Auditors' Report

Submitted for review and acceptance to:
Rosario Torres
Contracting Officer Representative (COR)
Committee for Purchase From People
Who Are Blind or Severely Disabled
U.S. AbilityOne Commission
2331 Mill Road, Suite 505
Alexandria VA, 22314

Submitted by:
Jason L. Allmond, CPA, CGFM, CISA, CISM
Managing Member
Allmond & Company, LLC
7501 Forbes Blvd., Suite, 200
Lanham, MD 20706
301-918-8200
jallmond@allmondcpa.com

Final Independent Auditors' Report

Prepared under contract to the U.S. AbilityOne Commission (AbilityOne) Office of Inspector General to provide financial auditing services

**U.S. ABILITYONE COMMISSION
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2020**



**ALLMOND & COMPANY, LLC
Certified Public Accountants
7501 Forbes Blvd., Suite 200
Lanham, Maryland 20706
(301) 918-8200**



Independent Auditors' Report

Chairperson, Committee Members, and Executive Director
Committee for Purchase from People Who Are Blind or Severely Disabled – U.S. AbilityOne
Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Committee for Purchase From People Who Are Blind or Severely Disabled - U.S. AbilityOne Commission (the Commission), which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2020 and 2019 financial statements of the Commission based on our audits. We conducted our audits in accordance with 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 entity'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 entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2020 and 2019, and its net costs, changes in net position, and budgetary resources for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 16 to the financial statements, the Commission restated its fiscal year 2019 balance sheet, statement of net cost, and statement of changes in net position and related footnotes to correct financial statement lines items that were incorrect, omitted, and/or not recorded and reported in accordance with generally accepted accounting principles. Because the errors were not corrected by the Commission, we issued an Adverse Opinion on the fiscal year 2019 financial statements. During fiscal year 2020, the Commission corrected these misstatements and restated the balance sheet, statement of net cost, statement of net position, and the related footnotes; therefore, the previously issued auditor's report dated December 3, 2019 is withdrawn and replaced by an unmodified opinion on the restated financial statements. This matter is further discussed in Note 16 of the financial statements.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Message from the Chairperson, Management Discussion and Analysis, and the Performance and Other Information* section of this report is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board. We are responsible for applying certain limited procedures, which consist principally of inquiries of management regarding 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 Commission's financial statements. However, we did not audit this information and, accordingly, we express no opinion or other assurance on the information contained therein.

Other Reporting Required by Government Auditing Standards

Report on Internal Control over Financial Reporting

In planning and performing our audit as of and for the year ended September 30, 2020, in accordance with generally accepted government auditing standards, we considered the Commission's internal

control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the Commission's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 19-03. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

Our consideration of internal control over financial reporting was for the limited purpose as described in the paragraph above and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies, respectively.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in their 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *Exhibit I Findings and Recommendations* to be material weaknesses (2020-01, 2020-02).

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 the attention by those charged with governance. We consider the deficiencies described in the accompanying *Exhibit II Findings and Recommendations* to be significant deficiencies (2020-03, 2020-04, and 2020-05).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2020 financial statements are free of material misstatements, we performed tests of the Commission's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of material amounts and disclosures in the Commission's financial statements, and certain provisions of other laws specified in OMB Bulletin No. 19-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, disclosed one instance of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin 19-03 and which are described in *Exhibit III Findings and Recommendations* (2020-06).

Commission's Response to Findings

The Commission's responses to the findings identified in our audit are described immediately following the auditors' recommendations in Exhibits I, II, and III. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance with selected provision of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws, regulations, contracts, and grant agreements which could have a material effect on the Commission's financial statements. Accordingly, this communication is not suitable for any other purpose.

Allmond & Company, LLC

Lanham, MD
November 13, 2020

Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and OMB Circular A-136 (2020-01)

CONDITION

The U.S. AbilityOne Commission (Commission) has a service level agreement with the U.S. Department of Agriculture (USDA) Office of the Chief Financial Officer (OCFO) which includes the preparation and submission of the agency's financial statements and notes in accordance with generally accepted accounting principles (GAAP) and Federal government financial reporting requirements; however, ultimately, it is the Commission's responsibility to ensure that the services provided by the shared service provider meet GAAP and other financial reporting requirements.

1. Interim Financial Statements and Footnotes:

During our review of the Commission's financial statements and footnotes for the interim reporting period ended June 30, 2020, we noted the following:

- The Balance Sheet, Statement of Net Cost (SNC), and Statement of Changes in Net Position (SCNP) were not prepared timely and were not submitted to the Office of Management and Budget (OMB), as required by OMB Circular A-136, *Financial Reporting Requirements*, as of 10/15/20. The Commission first received the above statements from the USDA OCFO on 09/16/20.
- Statement variance analyses for the Balance Sheet, SNC, and SCNP were not prepared timely and were not submitted to OMB, as required by OMB Circular A-136, *Financial Reporting Requirements*, as of 10/15/20. The Commission first received the variance analyses from the USDA OCFO on 09/16/20.
- Footnotes to the financial statements were not prepared timely and were not submitted, as required by OMB Circular A-136, as of 10/15/20. The footnotes were first received on 10/09/20.
- The financial statement footnotes did not include required notes and several of the notes that were included omitted information, disclosures, or schedules that are required by OMB Circular A-136 and generally accepted accounting principles.
- Several contingent liabilities that were deemed to be probable by the Commission's General Counsel as of June 30, 2020 were not recorded in the agency's general ledger and were not reported on the Balance Sheet and included in the Statement of Net Cost, as required by generally accepted accounting principles and OMB Circular A-136.
- Additional contingent liabilities that were deemed by the Commission's General Counsel as probable and reasonably possible, and therefore requiring disclosure in the agency's footnotes to the financial statements, were not disclosed in the agency's third quarter footnotes.

2. Fiscal Year End Financial Statements and Footnotes

During our year-end review of the Commission's financial statements and footnotes for the reporting period ended September 30, 2020, we noted the following conditions:

- the \$124,900 intragovernmental balance of Accounts Receivable was omitted from Note 3 in error;
- an evaluation of the Commission's contingent liabilities relating to legal matters was not performed timely; therefore, the beginning balance for probable loss contingencies was not appropriately adjusted during the fiscal year and the ending balance of Contingent Liabilities was overstated;
- the probable and reasonably possible contingent liabilities relating to legal matters were not properly disclosed in Note 9 in accordance with generally accepted accounting principles or OMB reporting requirements;
- the Undelivered Orders at the End of the Period footnote was not separated into federal and nonfederal components in accordance with federal financial reporting requirements;
- the amounts reported in the Explanation of Differences Between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government footnote did not agree with the Commission's restated FY 2019 SBR or the FY 2019 amounts reported in the FY 2021 President's Budget. In addition, the differences between the amounts reported for Budgetary Resources, New Obligations and Upward Adjustments, and Net Outlays per the SBR and the Budget of the U.S. Government were primarily attributed to rounding. However, as the differences related to other factors, including the balance of recoveries and the obligation of expired balances, separate reconciling items should have been included in the table to identify and explain these differences; and
- a note explaining the difference between the agency's unobligated balance, end of year at 09/30/2019 and the unobligated balance from prior year budget authority, net, of the current year was required per federal financial reporting requirements, but was omitted in error.

CRITERIA:

U.S. Government Accountability Office GAO-14-704G, *Standards for Internal Control in the Federal Government* (or "Green Book"), September 2014 revision, Section OV4.01 states, "Management may engage external parties to perform certain operational processes for the entity, such as accounting and payroll processing.....Management, however, retains responsibility for the performance of processes assigned to service organizations."

Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised and effective on June 28, 2019, states, "Each Executive Branch entity that is required to prepare audited financial statements under the Chief Financial Officer's Act of 1990 (CFO Act), Government Management Reform Act of 1994 (GMRA), or the Accountability of Tax Dollars Act of 2002 (ATDA) must comply with Sections I, II, and IV of this Circular."

OMB Circular A-136, Section IV, states:

- “Unaudited interim financial statements must be submitted 21 business days after the end of the third quarter by agencies (section IV.1);
- Comparative interim and year-end financial statement variance analyses are required for the Balance Sheet, SNC, and SCNP (section IV.2); and
- Unaudited notes must be submitted 45 business days after the end of the third quarter using OMB MAX (section IV.3).”

OMB Circular A-136, Section II, states that agencies must:

- “Disclose material adjustments during the reporting period to budgetary resources available at the beginning of the year and an explanation for the adjustments in accordance with SFFAS 7, paragraph 79 (Section II.3.8.25);
- Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period, separately disclosing Federal, non-Federal, paid, and unpaid amounts (Section II.3.8.28);
- “Explain material differences that exist between: 1. The budgetary resources, new obligations, upward adjustments (total), and net outlay amounts from the prior year SBR and the actual amounts from “Detailed Budget Estimates by Agency” found in the Appendix of the Budget (Section II.3.8.31).”

Statements of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, defines a contingency as “an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss.” SFFAS No. 5 requires a liability to be recognized for loss contingencies when a past event or exchange transaction makes a future outflow of resources probable and measurable.

SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5*, defines “probable “as that which can reasonably be expected or believed to be more likely than not to occur with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur,” on the basis of available evidence or logic but which is neither certain nor proven.

CAUSE:

- The Commission did not fulfill its responsibility to ensure that the required interim financial statements, variance analyses, and footnotes were prepared timely and were submitted by its financial management shared services provider to OMB.
- USDA stated that it is not its policy to prepare interim footnotes to the financial statements for its clients; therefore, it appears that the policies and procedures in place by the service provider to ensure

compliance with all OMB Circular A-136 requirements are not sufficient or current or it has made a decision not to perform them.

- USDA also stated that it has a waiver from Treasury that exempts several ATDA shared services clients, including the Commission, from the OMB Circular A-136 requirements at interim. The documentation provided to the Commission and identified by the service provider was comprised of informal email correspondence from FY 2015 between the service provider and the Bureau of Fiscal Service regarding an unrelated topic, the Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 4700 reporting requirements. This document does not provide a valid exemption that permits nonconformance with the Office of Management and Budget's interim reporting requirements.
- The Commission has developed a corrective action plan as of September 30, 2020 to address the conditions discussed above; however, the corrective action plan had not yet been fully implemented during FY 2020.
- The Commission's financial statements were not provided timely by the financial management shared service provider, decreasing the amount of time for management's review and decreasing management's ability to make corrections within the audit period.
- The identification and evaluation of legal matters which would require the recognition of a contingent liability in the Commission's general ledger and/or disclosure in the agency's footnotes was not performed timely at interim or year-end and was received by the service provider and management officials who are responsible for financial reporting after the financial statements and footnotes were already prepared and/or after the reporting deadline had passed.

EFFECT:

- The Commission did not fulfill its interim financial reporting requirements, as required by OMB Circular A-136 for the third quarter of FY 2020.
- Adjusting entries were required to restate the contingent liabilities balance because the information was not available timely.
- The failure to record probable losses due to pending or threatened litigation or recording them in the incorrect amounts can result in material misstatements of Contingent Liabilities reported on the Balance Sheet, Future Funded Expenses included in Gross Costs and Net Cost of Operations on the Statement of Net Cost, and the Net Cost of Operations on the Statement of Changes in Net Position.
- The failure to disclose probable and reasonably possible contingent liabilities in the Commission's footnotes is not in accordance with GAAP or OMB reporting requirements.
- The Net Adjustments to Unobligated Balance Brought Forward, October 1 footnote is required when the difference between the ending unobligated balance from the prior year is materially different between the beginning unobligated balance, net, for the current year. The omission of a note explaining or reconciling the difference results in an apparent lack of consistency between financial statements that are presented comparatively and is not in accordance with OMB Circular A-136 federal reporting requirements.

- The failure to include all balances in the Undelivered Orders footnote and to present each balance as federal or nonfederal can result in material misstatement of the footnote and is not compliance with OMB Circular A-136 federal reporting requirements.
- The failure to report the correct balances in the Explanation of Differences between the SBR and the Budget of the U.S. Government footnote and properly identify and explain the differences between them is not in accordance with OMB Circular A-136 federal reporting requirements.

RECOMMENDATION:

We recommend that Commission management:

- Advise the service provider of, and request compliance with, the preparation and submission deadlines for the preparation of its financial statements and required variance analyses so that this issue can be addressed by the service provider in the future.
- Request the service provider to begin preparing and submitting third quarter notes to the financial statements by the OMB submission deadline, in compliance with the financial reporting requirements which apply to all agencies subject to the Accountability of Tax Dollars Act (ATDA).
- If a waiver or exemption of the OMB Circular A-136 reporting requirements is deemed to be necessary, then the Commission should submit a request to OMB for consideration and obtain OMB's response in writing which formally waives this requirement.
- If the required statements, variance analyses, and footnotes are not submitted by the service provider on its behalf, then the Commission should consider submitting them to OMB directly.
- Continue to gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that the Commission's reporting requirements are being fulfilled, including those relating to the submission of interim financial statements and footnotes and the proper recording and reporting of loss contingencies.
- Continue to implement management's corrective action plan, including the filling of vacant positions.
- Consider preparing its own financial statements and footnotes, both at interim and year-end, if the service provider cannot provide complete and accurate financial statements and footnotes timely.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The Commission has advised our Financial Management Shared Services (FMSS) provider of, and has requested compliance with, the preparation and submission deadlines for the preparation of its financial statements and required variance analyses so that this issue. The Commission is collaborating with the service provider to incorporate these requirements into our FY 2021 Statement of Work. The Commission will also coordinate financial statement requirements with the Office of Management and Budget to determine the appropriate level of financial statement reporting and provide required documentation. The Commission has implemented staffing objectives by selecting a Chief Financial Officer (CFO) and the CFO will be on staff by mid-November 2020. In addition to CFO hiring action and staff training, the Commission continues to implement its corrective action plan and gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that all of the Commission's reporting requirements are being fulfilled.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2021 to determine if corrective actions have been fully implemented.

Year-End Accrued Liabilities Not Properly Estimated or Accurately Recorded (2020-02)

CONDITION

The Commission's internal controls over the estimation and recording of accrued liabilities are not sufficiently designed to prevent, detect, or correct errors in its financial statements. During our performance of substantive procedures over the balances of Accounts Payable as of September 30, 2020, we noted the following error:

The Commission's Accounts Payable accrual methodology was invalid because the estimate was calculated using the undelivered orders, unpaid (Account #4801) balance of \$1.5 million instead of services incurred but not yet billed of \$316 thousand. The accrual of \$1,522,433.11 was comprised of three general ledger entries:

- An entry of \$601,876.11 to reclassify existing obligated balances recorded to Undelivered Orders-Unpaid to Delivered Orders-Unpaid in order to recognize Accounts Payable, Operating Expense/Program Cost, Expended Appropriations-Used, and Unexpended Appropriations-Used for expenses incurred for goods and services received during FY 2020, and
- Two entries totaling \$920,557.00, which were recorded as new obligations and resulted in an abnormal balance of \$733,041.01 in the Allotments-Realized Resources account in the Commission's general ledger. The \$920,557.00 entry consisted of the following items:
 - \$868,024 that was already obligated by the Commission for services that will not be provided until FY 2021. As such, this amount should not have been accrued and the accrual entries resulted in the double-counting of an existing obligation;
 - \$19,433 for an existing obligation that was intended to be subtracted from the accrued amount but was instead added to the accrual total and recorded as a new obligation that exceeded the amount of the total award to the vendor;
 - \$30,000 for FY 2020 employee performance bonuses which should have been included in Accrued Funded Payroll and Benefit Liabilities instead of Accounts Payable as of 09/30/20;
 - \$3,100 in estimated unbilled and unpaid purchase card and web service purchases which were appropriately included in the accrual.

The Commission subsequently revised its accrual estimate to \$316,259.11, based on an evaluation of goods and services received but not yet billed from the Commission's vendors during FY 2020. The revised Accounts Payable accrual was determined to be reasonable.

CRITERIA

Statement of Federal Financial Accounting Standards (SFFAS) Number (No.) 5, Accounting for Liabilities of the Federal Government, provides the definition and general principles for the recognition of a liability: A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measureable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date.”

31 United States Code (USC) §1502. Balances Available, section (a) states, “The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title.”

31 USC §1501. Documentary Evidence Requirement for Government Obligations, section (a) states, “An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of—

- (1) a binding agreement between an agency and another person (including an agency) that is—
 - (A) in writing, in a way and form, and for a purpose authorized by law; and
 - (B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.”

31 U.S. Code §1517. Prohibited obligations and expenditures, states:

“(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding—

- (1) an apportionment; or
- (2) the amount permitted by regulations prescribed under section 1514(a) of this title.”

The Government Accountability Office (GAO’s) Standards for Internal Control in the Federal Government, Principle 10.01: Design Control Activities, states the following:

“Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties”

CAUSE

- The Commission did not record an Accounts Payable accrual until FY 2020; therefore, there was a learning curve in determining the proper methodology that should be applied.
- The Commission's service provider determined how the requested Accounts Payable accrual should be recorded in the general ledger, resulting in the duplication of existing obligations and the improper use of the Allotments-Realized Resources account for this transaction. As such, the service provider's internal review procedures were insufficient to prevent or detect and correct misstatements of the financial statements and footnotes.
- The Commission did not have written policies and procedures in place during FY 2020 for the performance or review of functions pertaining to financial reporting, including necessary year-end adjustments and accruals in accordance with generally accepted accounting principles.
- The Commission did not have a Chief Financial Officer or other personnel with knowledge and experience of generally accepted accounting principles during FY 2020; therefore existing policies and procedures for the review of accrual calculations and the completeness of the liabilities owed by the Commission were not sufficient to identify errors and omissions.

EFFECT

There is an increased risk of material and pervasive misstatements of the balances reported on the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and financial statement footnotes for each year in which accrued liabilities are not recorded in the general ledger or are recorded for incorrect amounts, as follows:

- Operating Expenses/Program Costs, Delivered Orders-Unpaid, Expended Appropriations, and Unexpended Appropriations-Used were overstated by \$1,206,174 for the fiscal year ended 09/30/20;
- Accounts Payable was overstated by \$1,236,174;
- Accrued Funded Payroll and Leave was understated by \$30,000;
- Undelivered Orders – Obligated, Unpaid was understated by \$315,617 as of 09/30/20;
- Allotments-Realized Resources was understated by \$890,557 as of 09/30/20;
- Material misstatement of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources and the related footnotes;
- Potential violation of the Antideficiency Act due to the inadvertent duplication of existing obligations already recorded in the Commission's general ledger;
- Errors in the Governmentwide Treasury Account Symbol (GTAS) SF 133: Report on Budget Execution and Budgetary Resources.

RECOMMENDATION

- Commission management should develop written policies and procedures for the financial reporting process, including procedures to identify and review year-end entries to the general ledger to ensure that they have been recorded in accordance with generally accepted accounting principles;
- The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should independently verify the amounts recorded for accrued liabilities by its shared service provider and examine the entries that the service provider has recorded in its general ledger;

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The Commission has requested that USDA take corrective action to resolve the issue. Also, the Commission continues to implement its corrective action plan and gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that all of the Commission's reporting requirements are being fulfilled.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2021 to determine if corrective actions have been fully implemented.

Employee Benefits Election Forms Were Not Maintained in eOPF per OPM Requirements (2020-03)

CONDITION

The Commission's internal controls over the maintenance of employees' personnel records are not sufficiently designed to prevent, detect, or correct errors in employees' payroll records. During our interim review of 55 payroll transactions selected from the population of all employees paid during the period of October 1, 2019 through September 30, 2020, we noted the following testwork exceptions:

- Twenty-one (21) instances (12 employees) in which we were not able to inspect and verify the employees' Thrift Savings Plan (TSP) elections timely because the Commission was not able to provide the TSP election forms in effect for the pay periods selected.
- Four (4) instances (3 employees) in which we were not able to inspect and verify the employee's Federal Employees' Group Life Insurance (FEGLI) Program elections timely because the Commission was not able to provide the SF-2817 FEGLI election form in effect for the pay period selected.
- Two (2) instances in which we were not able to inspect and verify the employee's Federal Employee's Health Benefits elections timely because the Commission was not able to provide the SF-2809 Health Benefit election form in effect for the pay period selected.

We requested the Commission to provide alternative documentation that could potentially resolve some of the exceptions identified at interim for substantive and compliance purposes; as of the date of our report, some of this documentation has not been provided.

CRITERIA

The Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government, states "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination... All documentation and records should be properly managed and maintained."

Electronic Code of Federal Regulations, Title 5-Administrative Personnel, Chapter 1- Office of Personnel Management, Subchapter B-Civil Service regulations, part 293-Personell records, subpart A-Basic Policies on Maintaining Personnel records, section 293.103. Recordkeeping Standards states that:

"(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent recordkeeping regulations and requirements of the Office of Personnel Management and the agency.

Exhibit II Significant Deficiencies
Findings and Recommendations

(b) The Office is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness for personnel records it requires agencies to maintain.”

U.S. Office of Personnel Management Operating Manual – The Guide to Personnel Recordkeeping, Update 13 June 1, 2011, Chapter 1: General Personnel Recordkeeping Policies, Electronic Records, states, “The purpose of the electronic Official Personnel Folder (e-OPF) and the paper Official Personnel Folder (OPF) is to document the employment history of individuals employed by the Federal Government. The electronic Official Personnel Folder must be complete; that is, when combined with any other documents the agency chooses to retain in paper, or is required by law or regulation to be maintained in paper, it must contain all the information.

OPM requires that each agency ensures that electronic Official Personnel Folder systems:

- Be thoroughly documented.
- Be able to produce legible paper copies of all records.
- Have access controls to ensure a high level of security and confidentiality.
- Allow correction and removal of erroneous records under strict authorization controls.
- Include backup and disaster recovery procedures.”

CAUSE

- The Commission and its payroll and personnel shared service provider, the General Services Administration (GSA), do not have control procedures in place to ensure that employees’ benefit election forms are thoroughly and accurately documented in the electronic Official Personnel Folder (e-OPF) in accordance with OPM requirements.
- The Commission and its payroll and personnel shared service provider, GSA, do not have control procedures in place to ensure that employees’ benefit election forms are updated in the electronic Official Personnel Folder (e-OPF) when employees change their benefit elections.
- A corrective action plan that addresses the prior year recommendations for this finding was not fully implemented during FY 2020.

EFFECT

- The Commission’s document availability and retention policies and procedures do not comply with OPM requirements. The failure to properly record and maintain employees’ official personnel records increases the risk for misstatement in payroll expense and related liabilities; in addition, incorrect amounts could be withheld from employees pay.
- Potential non-compliance with 5 USC Chapter 84, Subchapter III – Thrift Savings Plan and title 5 of the Code of Federal Regulations, part 870 – Federal Employees’ Group Life Insurance Program

RECOMMENDATION

We recommend that:

- The Commission should consider performing routine reviews of employee benefit elections and Official Personnel Files (OPFs) to ensure they are complete and accurate and address this issue with its shared service provider to ensure that OPM guidance is appropriately followed with respect to the Commission's personnel records.
- The Commission should consider obtaining replacement copies of missing records that have been identified and either provide these documents to the service provider so that the information can be maintained in the e-OPF or consider developing and implementing its own repository of documentation to ease the retrieval and response process.
- The Commission should continue to implement the actions identified in its corrective action plan dated September 30, 2020.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The Commission is continuing to implement the actions identified in its corrective action plan dated September 30, 2020. Working with GSA, our shared service provider, the Commission has identified a root cause preventing the Agency's personnel documents from being automatically placed into the Official Personnel Files (OPFs) and is working with GSA to correct the issue. The Commission will pursue a technical solution immediately in FY 2021, and concurrently, will consider performing reviews of employee benefit elections and OPFs to ensure they are complete and accurate.

In lieu of creating and maintaining a duplicate repository of documents that the shared service provider or e-OPF currently maintains, the Commission will obtain replacement copies of missing records that have been identified and provide these documents to the service provider so that the information can be maintained in the e-OPF. The corrective action aligns to the Commission's lack of resources to implement and maintain its own repository.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2021 to determine if corrective actions have been fully implemented.

Lack of Sufficient Controls over Financial Reporting of Balances Relating to Upward and Downward Adjustments of Prior Year Obligations (2020-04)

CONDITION:

The U.S. AbilityOne Commission's (the Commission's) internal control over financial reporting lacks sufficient control procedures to ensure the reliability of its Undelivered Orders balances. Specifically, we noted that the entries recorded for Upward Adjustments and Downward Adjustments of Prior Year Unpaid Undelivered Orders were not properly supported by sufficient and appropriate documentation and were the result of invalid posting logic used by the Commission's financial management service provider, the U.S. Department of Agriculture's Office of the Chief Financial Officer (USDA OCFO) to record the Commission's transactions.

We noted the following exceptions during our review of current and prior year obligations:

- Two instances totaling \$104,307.25 in which transactions were recorded using USSGL Account 4881 (upward adjustments of prior year obligations) to the incorrect vendor. When the transactions were corrected, the reversing entry used USSGL Account 487100 (downward adjustments of prior year obligations) rather than reversing the USSGL Account 4881 directly.
- One instance totaling \$42,665.65 in which payments originally recorded to the FY 2020 were reclassified to the FY 2018 TAS in which the upward adjustment entry was offset by a downward adjustment during the reclassification process.
- Three instances totaling \$2,468.38 in which entries were recorded using USSGL Account 4881 and through the flow of the transaction from an undelivered order to a delivered order, the posting logic applied the offsetting entry to USSGL Account 4871, causing additional misstatements for both accounts.

CRITERIA:

The Government Accountability Office (GAO), Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10 – Design of Appropriate Types of Control Activities, 10.03, Accurate and Timely Recording of Transactions, states,

“Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

The Government Accountability Office (GAO's) Standards for Internal Control in the Federal Government, Principle 10.01: Design Control Activities, states, “Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks

Exhibit II Significant Deficiencies
Findings and Recommendations

- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
Segregation of Duties

CAUSE:

- The Pegasys financial system used by the USDA OCFO, the Commission's financial management service provider, does not appear to have the functionality to directly record a reversal of an upward adjustment to a prior year obligation. The entries were accomplished by the recording of a series of transaction codes that were intended to net to the desired result; instead, the entries created a downward adjustment of the prior year obligation that should not have existed without reducing the upward adjustment balance.
- The Commission does not appear to have policies and procedures in place to review the Undelivered Orders balances (i.e., USSGL accounts 480100, 480200, 487100, and 488100) in Pegasys and to make the necessary corrections to ensure that upward and downward adjustment balances are accurate and reflect the true economic substance of each transaction.

EFFECT:

The lack of financial reporting internal controls can lead to material misstatements to the financial statements and line items not being properly valued or classified in accordance with generally accepted accounting principles.

If uncorrected, the Commission's Statement of Budgetary Resources will be misstated as follows:

- Unobligated Balance from Prior Year Budget Authority, net will be overstated by \$149,441.28
- Total Budgetary Resources will be overstated by \$149,441.28
- New Obligations and Upward Adjustments will be overstated by \$149,441.28
- Total Status of Budgetary Resources will be overstated by \$149,441.28

RECOMMENDATION:

We recommend that:

- The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should work with the service provider to identify, at least quarterly, upward adjustments that have been offset by downward adjustments in the general ledger so that manual adjustments can be recorded to properly state the ending balances of both accounts.
- Commission management should work with its service provider to design and implement policies and procedures which enhance the internal review process for upward and downward adjustment transactions and includes a reconciliation of the UDO balances with the supporting documentation to ensure that transactions have been recorded correctly.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The Commission continues to implement its corrective action plan and gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that all of the Commission's reporting requirements are being fulfilled.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2021 to determine if corrective actions have been fully implemented.

Improvements Needed in the Recording of Activity Relating to Reimbursable Activity and the Collection of Reimbursable Payments (2020-05)

CONDITION

The Commission's internal controls over the recording and collection activities relating to reimbursable agreements are not sufficiently designed to prevent, detect, or correct errors in its financial statements. During our evaluation of the general ledger activity for the Commission's single reimbursable agreement with another federal government entity, we noted the following errors:

1. Collection Activity Not Initiated and Completed Timely

- We noted that between 6/17/20 and 9/30/2020, the Commission paid \$104, 083.35 to the vendor that was awarded the related procurement contract; however, no Intra-Governmental Payment and Collection (IPAC) requests were initiated by the Commission during FY 2020 to receive reimbursement for the payments.

2. Improper Coding of Reimbursable Activity in the Financial Management System

- We noted that the first vendor payment of \$20,816.67 on 6/17/20 was not recorded as a reimbursable transaction; as such, the required entries to Accounts Receivable, Revenue for Services Provided, Unfilled Customer Orders Without Advance, and Reimbursements and Other Income Earned – Receivable and the reversal of the entries to Unexpended and Expended Appropriations-Used were not recorded, resulting in under- or overstatements of each of these accounts.

- In addition, the misclassification of this transaction as a direct, rather than reimbursable, payment caused \$20,816.67 misstatements of the balances of Allotments-Realized Resources and Undelivered Orders-Unpaid when the vendor payment was recorded in the general ledger.

3. Failure to Recognize Accrued Accounts Receivable, Revenue, and Related Budgetary Accounts

- The Commission did not record an accrual for the reimbursable expenses incurred under the related vendor contract, resulting in understatements of Accounts Receivable, Revenue from Goods and Services, and Reimbursements and Other Income Earned-Receivable and the overstatement of Unfilled Customer Orders Without Advance of \$20,816.67.

- In addition, the amount of the accrual for reimbursable activity should have been equal to the amount recorded as an accrued liability for the related vendor contract.

CRITERIA

Statement of Federal Financial Accounting Standards (SFFAS) Number (No.) 1, *Accounting for Selected Assets and Liabilities*, Section 41, Recognition of Receivables, states:

“A receivable should be recognized when a federal entity establishes a claim to cash or other

Exhibit II Significant Deficiencies
Findings and Recommendations

assets against other entities, either based on legal provisions, such as a payment due date, (e.g., taxes not received by the date they are due), or goods or services provided.”

Statement of Federal Financial Accounting Standards (SFFAS) Number (No.) 7, *Accounting for Revenue and Other Financing Sources*, Section 34, Recognition and Measurement of Exchange Revenue, states:

“Revenue from exchange transactions should be recognized when goods or services are provided to the public or another Government entity at a price.”

The Government Accountability Office (GAO), Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10 – *Design Control Activities, 10.03, Accurate and Timely Recording of Transactions*, states:

“Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

The Government Accountability Office (GAO's) Standards for Internal Control in the Federal Government, Principle 10.01: Design Control Activities, states the following:

“Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties”

CAUSE

- The agency's financial management shared services provider, the U.S. Department of Agriculture (USDA) Office of the Chief Financial Officer (OCFO) appeared to be unfamiliar with the recording of reimbursable activity and therefore did not always record the appropriate general ledger entries.
- This reimbursable agreement is the first of its kind for the Commission; therefore, there was a learning curve in determining the proper accounting policies and procedures that should be applied.
- The Commission believed that the total amount of the funds from the reimbursable agreement had been received in advance and therefore periodic billing and collection of the other federal entity would not be required.

Exhibit II Significant Deficiencies
Findings and Recommendations

- The Commission does not have a control procedure in place to estimate and record accounts receivable and revenue that should be accrued at year-end, in accordance with generally accepted accounting principles.

EFFECT

- The failure to initiate billing and collection activity timely increases the risk that the Commission could inadvertently exceed its spending authority and/or over-obligate current year funds, resulting in non-compliance with the Antideficiency Act.
- There is an increased risk of material and pervasive misstatements of the balances reported on the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and financial statement footnotes if reimbursable activity is not classified correctly or is recorded incorrectly in the Commission's general ledger.
- The Existing misstatements as of 9/30/20, prior to the recording of an accrual, include:
 - Overstatement of Undelivered Orders-Unpaid, Allotments-Realized Resources, Unfilled Customer Orders Without Advance, Unexpended Appropriations-Used, and Expended Appropriations-Used, impacting the line items reported in the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources by +/- \$20,816.67.
 - Understatements of Accounts Receivable, Reimbursements and Other Income Earned-Received, and Revenue from Goods and Services, impacting line items reported in the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources by +/- \$20,816.67.
- There are additional misstatements to Accounts Receivable, Reimbursements and Other Income Earned-Received, Unfilled Customer Orders Without Advance, and Revenue from Goods and Services for an additional \$20,816.67 for the failure to record an accrual for anticipated reimbursements incurred as of 09/30/20, impacting all of the principal financial statements.

RECOMMENDATION

We recommend that:

- To ensure that billing and collection activities are complete and timely, the Commission should initiate (or instruct its service provider to initiate) IPACs to receive reimbursement payments from the Requesting Agency at the same time that the transmittal form approving the vendor payment is submitted to the service provider for processing.

Exhibit II Significant Deficiencies
Findings and Recommendations

- The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should independently verify the amounts recorded for reimbursable activity by its shared service provider or participate in the calculation of the recorded amounts;
- The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should develop a procedure to identify accrued liabilities for reimbursable expenses which should be also be recorded as accrued accounts receivable;
- Commission management should develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger that are required by generally accepted accounting principles.
- Commission management should record the proposed adjusting entries in order to correct the errors identified.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The Commission continues to implement its corrective action plan and gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that all of the Commission's reporting requirements are being fulfilled. The Commission will include controls to monitor and verify reimbursable activity.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2021 to determine if corrective actions have been fully implemented.

Exhibit III Noncompliance with Laws & Regulations
Findings and Recommendations

Actual and Potential ADA Violations Relating to the Obligation of Expired Funds (2020-06)

CONDITION:

The Commission verified that violations of the Anti-Deficiency Act (ADA) occurred during fiscal year (FY) 2019, as follows:

- Total obligations of \$1,158,704.35 were impermissibly charged to the Commission's FY 2018 and FY 2017 Treasury Account Symbols (TAS) which should have been recorded to the Commission's FY 2019 TAS.
- An over-obligation of \$1,083,532.21 of the FY 2019 TAS would have resulted if the erroneous obligations had been charged against the correct TAS.
- To date, the violation has not been formally reported to the President and Congress.

In addition, the Commission potentially violated the Anti-Deficiency Act (ADA) during fiscal year (FY) 2020 by recording new obligations or upward adjustments using funds that were no longer available for obligation. During our interim test work over disbursements, new obligations, upward adjustments of prior year obligations, and manual journal vouchers, we noted the following exceptions, totaling \$237,796.50:

- Four new obligations totaling \$61,674.25 were created in the agency's FY 2017, FY 2018, and FY 2019 Treasury Account Symbols (TAS) during FY 2020 during the payment process.
- Invalid upward adjustments to prior year obligations totaling \$120,407.25 were recorded to the agency's FY 2018 TAS.
- Two manual journal vouchers totaling \$43,965.00 were recorded to reclassify transactions from the FY 2020 TAS to the FY 2018 TAS for FY 2018 employee bonuses that were not obligated prior to 09/30/2018 and were to be paid during FY 2020.
- A third manual journal voucher was used to reclassify \$11,750 from SGL 4610 – Allotments-Realized Resources to SGL 4650 – Allotments-Expired Authority in the FY 2018 TAS. The balance in SGL 4610 originated through the recording of an invalid new obligation to the FY 2018 TAS. The presence of a balance in SGL 4610 is an indicator of the invalid use of prior year authority.

CRITERIA:

31 United States Code (USC) §1502. Balances Available, section (a) states, "The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

Exhibit III Noncompliance with Laws & Regulations
Findings and Recommendations

31 USC §1501. Documentary Evidence Requirement for Government Obligations, section (a) states,

“An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of—

(1) a binding agreement between an agency and another person (including an agency) that is—

(A) in writing, in a way and form, and for a purpose authorized by law; and

(B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.

31 U.S. Code §1517. Prohibited obligations and expenditures, states:

“(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding—

(1) an apportionment; or

(2) the amount permitted by regulations prescribed under section 1514(a) of this title.

(b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress.”

The Government Accountability Office (GAO), *Standards for Internal Controls in the Federal Government*, (issued September 2014), Principle 10 – Design of Appropriate Types of Control Activities, 10.03, *Accurate and Timely Recording of Transactions*, states,

“Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

CAUSE:

- Existing controls were not sufficient to prevent or detect and correct new obligations that were directly recorded to prior year expired Treasury Account Symbols (TAS) during fiscal year (FY) 2020 through the use of purchase orders, funding documents, transfer of payments during the posting process, and reclassifying journal vouchers.
- Management override of controls and circumvention of system controls and posting models which provided alerts that current year funding should be used.
- The financial system is not configured on the purchase order level to prevent payments which exceed the amounts that have already been obligated in the general ledger from being recorded.

Exhibit III Noncompliance with Laws & Regulations
Findings and Recommendations

That is, when payments or reclassifications are processed, the obligated amount is automatically increased if the amount of the payment exceeds the total obligations recorded in the general ledger for the purchase order, resulting in the effective increase of the prior year obligated amounts.

- Existing controls are not sufficient to prevent or detect entries to the general ledger agree that do not agree with source documentation (i.e., purchase orders, contract modifications, vendor invoices, and payment transfers).
- The Commission's corrective action plan to address the prior year finding was not completed until September 30, 2020.

EFFECT:

- The Commission has not yet fulfilled its reporting obligations under 31 USC §1517(b) for the ADA violations that were verified for FY 2019.
- The Commission is in potential violation of 31 USC §1501 and §1502 for FY 2020.

RECOMMENDATION:

We recommend that Commission management:

- Fulfill the requirements of 31 USC §1517(b) by reporting the FY 2019 violations to the President, Congress, and the Comptroller General of the United States.
- Ensure that new obligations are recorded only within the current fiscal year, as required by law.
- Ensure that no payment reclassifications are performed between TAS unless the payment documentation is sufficient to show that the payment was applied to another TAS in error and there are sufficient existing obligated balances in excess of the amount(s) of the payment(s).
- Ensure that all obligations recorded to the general ledger are properly supported (i.e., the obligated amount recorded agrees to the obligating document).
- Open and complete a management review into the new potential ADA violations noted and report to the appropriate parties, as necessary, so that the Commission can determine if an actual violation occurred.
- Continue to implement the measures established in the Commission's corrective action plan, dated September 30, 2020.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

Exhibit III Noncompliance with Laws & Regulations
Findings and Recommendations

General Comments

The Commission continues to implement its corrective action plan and gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that all of the Commission's reporting requirements are being fulfilled. The Commission's work efforts will focus on increased internal controls as initiated in FY19 and take into account current findings for upward adjustments and reclassifications. The Commission will also seek independent review of findings for root cause of potential violations cited.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2021 to determine if corrective actions have been fully implemented.

Status of Prior Year Findings and Recommendations

The following table provides the fiscal year (FY) 2020 status of all recommendations included in the Independent Auditors' Report on the Commission's FY 2019 Financial Statements (December 3, 2019).

FY 2019 Finding	FY 2019 Recommendation	FY 2020 Status
<p>Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and OMB Circular A-136 (2019-01A)</p>	<p>Recommendations:</p> <p>Improve the accuracy and completeness of the agency's financial statements and footnotes in accordance with U.S. GAAP and OMB Circular A-136 reporting requirements for the federal government.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> 1. Become familiar with OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of its shared service provider and to ensure that its reporting requirements are being fulfilled. 2. Advise the service provider that outdated/superseded guidance was used in the preparation of its financial statements and footnotes so that this issue can be addressed by the service provider in the future. 3. Request that the service provider begin preparing and submitting third quarter notes to the financial statements, in compliance with the financial reporting requirements which apply to agencies subject to the Accountability of Tax Dollars Act (ATDA) and take adequate steps to ensure that all of the year-end notes are included. 4. Request that the service provider enhance its current review procedures to identify errors and omissions in the required financial statements and footnotes and to ensure that all required presentation and disclosure requirements have been met. 5. In accordance with generally accepted accounting principles (GAAP), ask the Commission's General Counsel to identify loss contingencies relating to legal matters that should be recorded in the agency's general ledger and/or disclosed in the notes to the financial statements and instruct the service provider to record these entries and/or disclose these amounts, as appropriate. 	<p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>

Status of Prior Year Findings and Recommendations

<p>Year-End Accrued Liabilities Not Estimated or Accurately Recorded (2019-02A)</p>	<p>Improve controls relating to the estimation and recording of accrued liabilities.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> 1. Commission management develop a procedure to review disbursements made early in the subsequent reporting period to identify items which should be included in its year-end accounts payable or develop an alternative procedure which appropriately estimates the amount of these liabilities at year-end; 2. Commission management independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts; 3. Commission management develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger that are required by generally accepted accounting principles; 4. Commission management develop written policies and procedures which define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions; 5. Commission management direct its shared service provider to enhance its existing policies and procedures to provide a more thorough review of its calculation of payroll accruals and to review published resources in order to ensure that all unfunded liabilities assessed to the Commission have been recorded. 	<p>Partially Closed</p> <p>Open</p> <p>Open</p> <p>Open</p> <p>Closed</p>
<p>Improvements Needed in the Computation of Imputed Costs (2019-03A)</p>	<p>Improve the accuracy of the computation of imputed costs.</p> <p>Specifically, we recommended that management:</p> <p>Review the calculations and other supporting documentation relating to all imputed cost and financing source entries that were recorded during the fiscal year to ensure that:</p> <ol style="list-style-type: none"> 1. the current fiscal year cost factors are used to computed imputed cost and financing sources for all pay periods that were paid during the fiscal year, and 	<p>Closed</p>

Exhibit IV
Status of Prior Year Findings and Recommendations

	<p>2. any entries recorded during the fiscal year are adjusted for differences between the prior year cost factors that were used to compute imputed cost at interim and the recalculated amounts using the current fiscal year cost factors.</p>	Closed
<p>Employee Benefits Election Forms Not Maintained in eOPF per OPM Requirements (2019-04A)</p>	<p>Improve internal controls over the retention and maintenance of employees' personnel records.</p> <p>Specifically, we recommended that management:</p> <p>1. Consider performing routine reviews of employee benefit elections and Official Personnel Files (OPFs) to ensure they are complete and accurate and address this issue with its shared service provider to ensure that OPM guidance is appropriately followed with respect to the Commission's personnel records.</p>	Open
<p>Management Assurance Statement Was Not Prepared (2019-05A)</p>	<p>Develop and document a process to evaluate internal controls over financial reporting in order to comply with FMFIA and OMB Circular A-136 reporting requirements for federal government agencies.</p> <p>Specifically, we recommended that management:</p> <p>1. Develop and document a process to evaluate its internal controls over financial reporting which provides (1) an assessment of the effectiveness of the organization's internal controls to support reliable financial reporting, effective and efficient programmatic operations, and compliance with applicable laws and regulations, and (2) an assessment of whether financial management systems comply with Federal financial management systems requirements.</p>	Open
<p>Potential ADA Violation Relating to the Obligation of Expired Funds (2019-06A)</p>	<p>Determine whether the Commission violated the Antideficiency Act during FY 2019 and develop appropriate budgetary controls to prevent the obligation and liquidation of prior year expired funding.</p> <p>Specifically, we recommended that management:</p> <p>1. Ensure that new obligations are recorded only within the current fiscal year, as required by law.</p> <p>2. Ensure that no payment reclassifications are performed</p>	<p>Partially Closed</p> <p>Open</p>

Status of Prior Year Findings and Recommendations

	<p>between TAS unless the payment documentation is sufficient to show that the payment was applied to another TAS in error and there are sufficient existing obligated balances in excess of the amount(s) of the payment(s).</p> <p>3. Ensure that all obligations recorded to the general ledger are properly supported (i.e., the obligated amount recorded agrees to the obligating document).</p> <p>4. Open and complete a review into the potential ADA violation noted and report to the appropriate parties, as necessary, so that the Commission can determine if an actual violation occurred.</p>	<p>Open</p> <p>Partially Closed</p>
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Section 4: Other Information

4.1 Summary of Financial Statement Audit and Management Assurances

Table 1. Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	2				2
<i>Total Material Weaknesses</i>	2				2

Table 2. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Reporting	2					2
<i>Total Material</i>	2					2
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform					

4.2 Payment Integrity Information Act Reporting

The Commission incurs payment activity for vendor and employee payments. Controls have been established to review and reconcile payments on a monthly basis preventing significant improper payments from occurring.

4.2.1 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 2020 in three key areas:

1. Implementation of financial and administrative controls

The Commission has built-in separation of duties, with the Department of Agriculture serving as a contracted financial, travel, human resources, and procurement services provider through an interagency agreement, while GSA provides payroll processing through a similar agreement. 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)

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 Chief Financial Officer started on November 2, 2020. 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 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 OIG maintains a hotline for individuals to report suspected irregularities and fraud for further evaluation and action.

4.3 Civil Monetary Penalty Adjustment for Inflation

The Commission does not deal with civil monetary penalties.

4.4 Inspector General Top Management and Performance Challenges Report



Office of Inspector General

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

November 12, 2020

MEMORANDUM

FOR: Jeffrey Koses
Chairperson
U.S. AbilityOne Commission

FROM: Thomas K. Lehrich
Inspector General

SUBJECT: 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 serious management and performance challenges facing the U.S. AbilityOne Commission for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year 2020.

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 are changing and growing. Our reporting reflects on, and seeks to assist in, this challenging environment. OIG talked with the Commissioners to understand their perspective on the challenge areas, and OIG requested feedback from the staff regarding the challenges. Chairperson Koses, together with the Commission members made tremendous strides in creating three Commissioner-led subcommittees on enterprise risk management and auditing, performance management, and competition, which will introduce innovation and advance transparency. In this year's Top Management and Performance Challenges Report we include as the most pressing challenges: 1) allocation of roles, resources responsibilities, and authorities, 2) implementation of 898 panel recommendations, 3) Anti-deficiency Act violations, 4) transparency, 5) erosion of statutory program authority, 6) implementation of cooperative agreements, 7) a lack of risk management, and 8) needed enhancements to program compliance.

We thank you for your support and we look forward to working with the Commission and the AbilityOne stakeholders, as the OIG continues its oversight mission.

Enclosure: Top Management and Performance Challenges Report

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 (FY) 2020.

The challenge areas identified are connected to the Commission's mission to provide employment and training opportunities in the manufacture and delivery of products and services to the Federal Government for people who are blind or have significant disabilities.

The OIG identified the top management and performance challenges (TMPC) for fiscal year (FY) 2020 as:

- Allocation of Roles, Resources, Authorities, and Responsibilities Among the Commission Senior Staff;
- Successful Implementation of the Section 898 Panel Recommendations;
- Addressing Anti-deficiency Violations and Strengthening Financial Management;
- Higher Level of Transparency and Communication Needed to Enhance Program Confidence;
- Erosion of Statutory Program Authority;
- Implementation of Cooperative Agreements given Central Nonprofit Agencies (CNA) Growth;
- Establishing an Enterprise-wide Risk Management Framework; and
- 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 last year's report, we introduced the allocation of roles, authorities, and responsibilities among the Commission senior staff as a "watch-list" item. However, due to the continued challenges in the allocation of resources and responsibilities by senior staff, we are including this topic as a "reportable challenge" in this year's report. The allocation of resources and responsibilities among the Commission senior staff creates challenges in achieving positive business outcomes such as the ability to timely implement policies and initiatives, effectively execute changes in the programs, and support program growth.

This report is based on OIG, and U.S. Government Accountability Office (GAO) audits and reviews, as well as our knowledge of the AbilityOne programs and operations. OIG reached out to Commission leadership to gain their perspective on the challenge areas and considered the accomplishments the staff reported as of September 30, 2020. OIG also received input on the challenges to the program from Congress, CNAs, and Non-Profit Agencies.

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 (Committee) to reflect the expanded capabilities of the JWOD Program. In 2006, the Committee changed the program's name from the JWOD Program to the AbilityOne Program. The Committee is now known as the U.S. AbilityOne Commission (Commission).

By statute, the Commission is composed of fifteen Presidential appointees: eleven members representing federal agencies and four members serving as private citizens from the blind and disabled community, bringing their expertise in the field of employment of people who are blind or have significant disabilities. In the composition of the Commission's fifteen Presidential appointees, there are nine vacancies: seven federal agencies and two private citizens. This amounts to more than half of the Commission membership being vacant (9 out of 15).

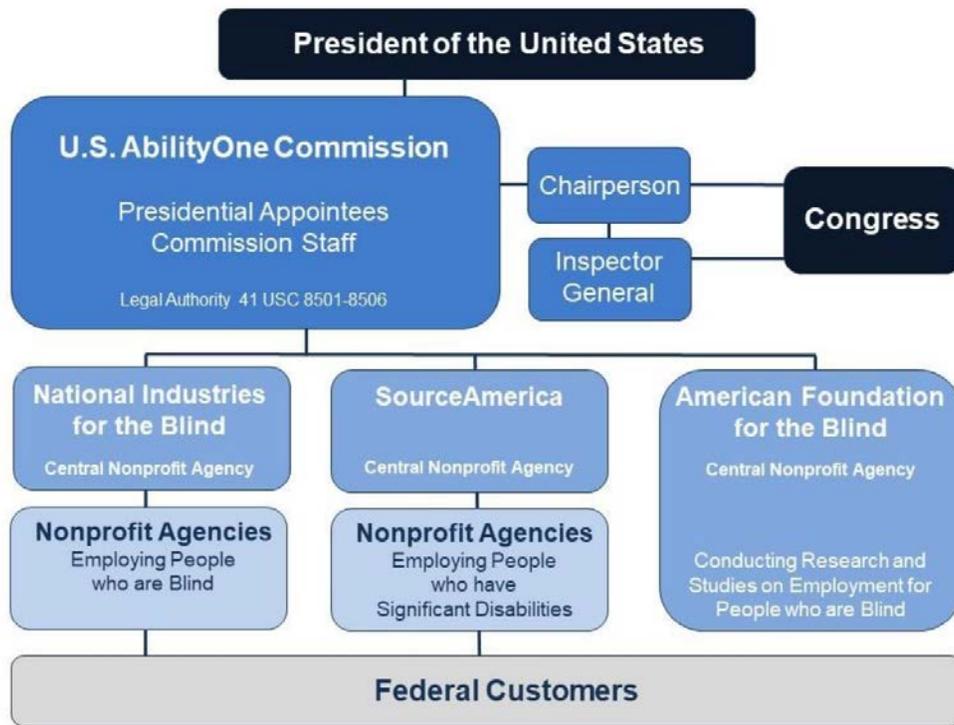
The Commission has about 32 full-time employees for the administration of the AbilityOne Program. The Program is a source of employment for approximately 45,000 people who are blind or have significant disabilities through contracts across all fifty states and U.S. territories by more than 500 nonprofit agencies with federal agencies. The Commission administers contracts for more than \$4 billion annually in products and services to the federal government through the AbilityOne Program.

The Commission designates CNAs to facilitate the employment by NPAs of people who are blind or have significant disabilities. The Commission currently administers the AbilityOne Program with the assistance of two CNAs,¹ the National Industries for the Blind (NIB) (established in 1928) and SourceAmerica (established in 1974). On July 26, 2018, the Commission designated the American Foundation for the Blind (AFB) as a third CNA, with an initial phase of research and studies. Each CNA has its own Cooperative Agreement with the Commission, and that Agreement helps govern the relationship and performance of each CNA. AFB is not fully operating as a CNA as it doesn't have any NPAs or AbilityOne Program contracts.

The Commission is ultimately responsible for the administration of the \$4 billion worth of contracts between the NPAs and the federal government. Stakeholders expect greater program integrity, efficiency, accountability, and transparency across its operations. The OIG will continue to report on management progress and to highlight the benefits of an open and transparent culture, ultimately leading to a more resilient AbilityOne Program.

¹ 41 CFR § 51-3.1.

Figure 1:
AbilityOne Program Organization



Management Challenge 1:
The Commission is challenged with allocation of roles, resources, authorities, and responsibilities among the Commission Senior Staff

Why This Is a Challenge

In last year’s Top Management Challenges Report, we introduced an emerging challenge with organizational governance and placed it on a watch list as a potential, reportable challenge for the Commission. The management and allocation of scarce resources by the senior staff has not improved. The allocation of roles, responsibilities, and resources among the Commission senior staff creates challenges in achieving positive business outcomes such as the ability to timely implement policies and initiatives, effectively execute changes in the programs, and support program growth. In the U.S. AbilityOne Commission Audit of the U.S. AbilityOne Program Fee Report, dated December 20, 2019, the OIG performance audit made several recommendations. One of the recommendations stated that in order to effectively manage the Program fee, the Commission should complete a workforce analysis to determine Commission staffing requirements based on major mission activities and cross-cutting priority goals. Among the

additional findings were that the management of the fee determination and implementation of the policies has produced poor outcomes.

In addition, the various business areas managed by the senior staff have poor allocation of resources. The Program Compliance Office, for instance, recently lost their Director of Compliance, as he left the Agency. The Compliance Office has an acting director filling the recent vacancy. As we reported in the compliance challenges section in this Report, the number of staff in the Compliance Office is lower than the level from several years ago and is constituted by two staff members at the Commission's HQ, in the DC area. A significant challenge for the Commission is the effective allocation of resources and responsibilities among the staff.

In September of this year, the Office of Government Ethics (OGE) issued a report² identifying numerous and serious deficiencies in the AbilityOne Commission's ethics program, including issues with financial disclosure review and certification, and lack of ethics training. The report highlights the Commission's challenges in allocating resources effectively to manage programs as well as risk. Ethics programs promote confidence in the decision making of government agencies, help avoid current and future conflicts of interest, and provide essential training to avoid violations of the ethics rules. The weaknesses identified by OGE in the AbilityOne Commission's ethics program represent a major obstacle to the effective, transparent, and accountable administration of the AbilityOne's Commission and programs. In its September 2020's Report, OGE made 10 recommendations to the Commission to address the weaknesses in its ethics program.

Management Challenge 2: Successful implementation of the Section 898 Panel recommendations for increased accountability, oversight and integrity in the Program

Why This Is a Challenge

Section 898 of the National Defense Authorization Act for Fiscal Year 2017 established the 898 Panel with the goal of increased accountability, oversight, and integrity in the AbilityOne program. The Panel consists of representatives, including the Office of the Secretary of Defense (DoD) and its DoD Inspector General, the Chairperson for the Commission, and the Commission's Inspector General, as members. The Panel's membership also consists of senior leaders and representatives from the military service branches, Department of Justice, Commission, Department of Veterans Affairs, Department of Labor, the General Services Administration, and the Defense Acquisition University.

The primary mission of the Panel is to identify vulnerabilities and opportunities in the Department of Defense contracting with the AbilityOne Program, and recommend improvements. The Panel goals include improving the experience of the Department of Defense as a customer. The Panel established subcommittees to fulfill its duties as determined by Section 898(c), and working on

² U.S. AbilityOne Commission Ethics Inspection Report (Report No. 20-50I, September 29, 2020) ([https://www.oge.gov/web/oge.nsf/0/62932FC1D2F1AD7D852585F8005C77F4/\\$FILE/2020%20AbilityOne%20Inspection%20Report%2020-50I.PDF](https://www.oge.gov/web/oge.nsf/0/62932FC1D2F1AD7D852585F8005C77F4/$FILE/2020%20AbilityOne%20Inspection%20Report%2020-50I.PDF)).

implementing the recommendations involves several Agencies and disciplines. In December 2020, the Panel’s third annual report to Congress will be published. The upcoming report provides progress on the implementation of the recommendations identified in the Panel’s first and second reports to Congress. This third annual report covers the period of November 1, 2019 through October 31, 2020. A significant challenge for the Commission this year will be implementing the 898 Panel recommendations to improve oversight, accountability, transparency, and integrity in contracting with the AbilityOne Program. The majority of the recommendations require action by the Commission to establish or update policy, business practices, and regulations, or to recommend Congressional amendment of the Javits-Wagner-O’Day (JWOD) Act. The success in completing these recommendations is spread among multiple Panel offices however the Commission implementing necessary measures is vital to ensure the effective completion of the desired improvements, identified by the work of the 898 Panel.

Progress In Addressing The Challenge

During the previous reporting period, the 898 Panel’s Subcommittee for Waste, Fraud, and Abuse recommended additional resources for the AbilityOne OIG and the office of compliance. The Panel is following the status of its previously issued twenty-five (25) recommendations with several having been completed to date. The majority of the recommendations require action by the Commission to establish or update policy, business practices, and regulations, or to recommend Congressional amendment of the Javits-Wagner-O’Day (JWOD) Act. The success of these recommendations is contingent upon the Commission implementing necessary measures to ensure the effective completion and success of the desired improvements.

The challenge for the Commission is to successfully implement and execute the work that flows from the excellent work of the 898 Panel. In describing this challenge, we have included a table of panel recommendations. The Commission work to implement and integrate the recommendations to increase the accountability, oversight, and integrity of its Program is a challenge for this year. Execution of these recommendations will have a positive impact on the employment opportunities for individuals who are blind or have other significant disabilities.

#	Recommendation
Subcommittee One: Inspector General	
1	Implement existing policy by DoD requiring Contracting Officers to check the AbilityOne Procurement List, and take training on the AbilityOne Program
2	U.S. AbilityOne Training must be continually updated, as Panel recommendations are implemented
Subcommittee Two: Eliminate Waste, Fraud, and Abuse	

#	Recommendation
3	Increase oversight and strengthen audit coverage
4	Impose stricter requirements on NPAs for documentation and disability determinations
5	Prohibit Use of Program Fee for Lobbying Expenses
Subcommittee Four: Laws and Regulations	
6	Amend the Javits-Wagner-O’Day Act’s 75% Direct Labor Hour ratio requirement, 41 U.S.C. §§ 8501(6)(C), (7)(C), to promote employment and upward mobility of individuals with disabilities in integrated work environments, and provide for implementation requirements and guidelines
7	Amend the Javits-Wagner-O’Day Act’s definition of “Direct labor,” 41 U.S.C. §§ 8501(3), to encourage upward mobility and hiring of people with disabilities in supervisory and other indirect labor positions (this recommendation is now incorporated into Recommendation 6)
8	Amend the Javits-Wagner-O’Day Act’s definition of “severely disabled,” 41 U.S.C. §§ 8501(5) and (8), to eliminate the presumption that eligible individuals are not competitively employable and to clarify and institute a workable definition
Subcommittee Six: Acquisition and Procurement	
9	Develop policy and implement business practices that provide sufficient oversight and transparency. Create incentives for inclusion and mentoring of smaller nonprofit agencies, and for veteran employment opportunities in DoD contracts with AbilityOne nonprofit agencies
10	Develop policy establishing NPA recommendation/allocation procedures
11	Establish business rules for competition and assignment of work among AbilityOne Program NPAs.
12	Establish penalties if a CNA or NPA does not follow policies and procedures
13	Reduce the existing gaps and deficiencies in CNAs’ processes
14	Revise 41 CFR 51 to include information regarding undesignation of CNAs and deauthorization of NPAs as the authorized source on the PL.

#	Recommendation
Subcommittee Seven: Business Process Re-engineering	
15	Update the Procurement List Information Management System (PLIMS) to reflect detailed information, improve the search functions to enable a more user-friendly interface, and be usable to outside agencies
16	Deploy an IT solution either utilizing a system where the Procurement List (PL) can be linked to existing contracting vehicles or develop a common system that routes purchases through the PL prior to other avenues
17	Build a centralized pricing database, require fair market pricing and prevailing wage documentation in contracts with Federal customers
18	Implement DoD wide policy to designate an AbilityOne Representative (ABOR) program similar to the Air Force model and includes a goal for growth in AbilityOne Program participation
19	Pursue DFARS (PGI language) to detail how to do business with the AbilityOne Program
20	Recommend change to allotted timeframe currently required by the Administrative Procedures Act when adding products or services to the Procurement List
21	Incorporate Section 508 training for contracting personnel to address DoD-wide section 508 compliance shortfall and use DAU online and classroom training to teach AbilityOne information

Management Challenge 3: Addressing Anti-deficiency Violations and Strengthening Financial Management

Why This Is a Challenge

Congress determines the amount of funding available to an agency by enacting appropriations to cover programs, projects, purchases, and services needed by the agency during the period for which the funds are made available. The Antideficiency Act (ADA) broadly prohibits federal employees from making or authorizing an expenditure or obligation from any fiscal year appropriation in excess of the amount available. In December 2019, OIG transmitted to the Commission the financial statement audit performed by the independent and certified Public Accounting Firm Allmond & Company, LLC (Allmond).³ Allmond's audit report of the Commission's financial statements identified significant departures from federal reporting requirements and accounting principles. The statements and omissions included the failure to accurately record liabilities, materially misstating the Commission's beginning and ending fiscal year balances, and omitting required information.

Allmond noted that the Commission potentially violated 31 U.S.C. § 1501(a) of the ADA by not supporting obligations with adequate documentation and potentially violated 1502(a) of the ADA by making or authorizing new expenditures and obligations beyond the Congressional appropriation for the fiscal year. Allmond's findings noted 17 potential violations of the ADA, including eight new obligations totaling \$704,875.19 that were recorded in the general ledger for FY17 and 18 but occurred during FY19. The findings noted two instances totaling \$451,333.08 in which lump sums of payments recorded to current year obligations were transferred to prior years, as well as six instances in which the amount recorded the Commission's general ledger to obligate prior year funds did not agree to the source documentation. The Commission concurred with Allmond's findings.

In December 2019 and February 2020, OIG issued memoranda to the Chairperson and senior agency personnel outlining the agency's reporting requirements under the Antideficiency Act. OIG explained that the Antideficiency Act and OMB Circular A-11 required the Commission to investigate the violations. On concluding that a violation of the ADA had occurred, an agency must "immediately" report the violations, along with relevant facts and a statement of actions taken, to the President, Congress, and the Comptroller. The Commission engaged the General Services Administration (GSA) to conduct an investigation of the potential ADA violations. GSA issued a final report on July 28, 2020, and it confirmed that numerous ADA violations had occurred.⁴ The report stated that "[t]he misrecording of obligations and expenditures to prior year BBFYs after USDA notified AbilityOne of insufficient funds strongly suggests intent."

³ See Allmond & Company, LLC, *Independent Auditors' Report*, December 13, 2019
<https://abilityone.gov/commission/performance.html>

⁴ See *Final ADA Investigation Report*, ACCOUNTING & FINANCIAL REPORTING DIVISION at 9, July 28, 2020.

The Commission has acknowledged the existence of ADA violations since December 2019, when it concurred with Allmond’s audit findings in its management response. Since then, in summer 2020, two memoranda from the Inspector General and a GSA Investigation confirmed the existence of the ADA violations and have laid out the Commission’s reporting requirements to the President, Congress, and the Comptroller General.

The Commission uses the USDA as a financial services provider. While the USDA provides support services, this arrangement requires the Commission to have a certain level of expertise in recording, accounting, financial statements, and appropriations. Ensuring that level of expertise, reporting the ADA violations as required by statute, addressing their underlying cause, and preventing future violations constitutes a serious challenge for agency leadership.

Progress In Addressing The Challenge

Newly elected Chairperson Koses, together with the Commission members made excellent strides in creating three Commissioner-led subcommittees on enterprise risk management and auditing, performance management, and competition, which will introduce innovation and advance transparency. The Commission has hired a new Chief Financial Officer (CFO); in his CFO role, this agency official is intended to address the ADA violations and institute stronger controls to prevent future violations. Upon the Commission briefing the Office of Management and Budget (OMB) on the ADA violations, OMB has assigned an ADA team to work with the Commission to comply with the statutory requirement to report the violations to the President, Congress, and the Comptroller General.

Management Challenge 4: Higher Level of Transparency Needed to Enhance Program Confidence

Why This Is a Challenge

The Commission faces challenges with improving the transparency in its administration of the AbilityOne Program. Commissions and Boards typically benefit from publishing quality information and program-wide communication pertinent to its agency business. Increased use of appropriate methods of communication such as social media outreach and reporting on metrics and compliance data could provide useful communication on project status and needs, updates of activities, and performance planning. The Commission takes only some advantage of this and publishes an annual regulatory agenda. Agencies are increasingly using electronic filing and document dissemination systems to manage deadlines and actions.

During the pandemic, the Commission has taken steps to increase outreach with stakeholders in its COVID-19 efforts. For instance, the Commission initiated an information exchange with the CNAs on a real-time basis with Federal customers and other stakeholders. In addition, the Commission launched a COVID-19 page on <https://www.abilityone.gov/covid19.html> that provides the Commission’s pandemic guidance, communications, and other topics involving the global pandemic.

Stakeholders and program participants are extremely interested in the Commission activities including effective communication by the Commission on program operations. The AbilityOne Program is challenged with improving transparency.⁵ Congress has made repeated observations regarding challenges in transparency, especially in a program that employs over 45,000 blind and severely disabled workers. Congress has consistently commented on the expectations of a high level of practices by the Commission with communicating effectively to the interested public. During the amendments of the Wagner-O'Day Act in 1971, Congress stated:

*The Committee's procedures have not necessarily complied with due process of law, such as adequate notice, presentation of views prior to adding to or removing commodities at a fair market price from the Schedule of Blind-Made Products. As a result, actions of the Committee in carrying out its role under the Wagner-O'Day Act have been subject to question and review in a court decision.*⁶

Greater level of communication by the Agency staff would enhance operations in administering the program and result in increased program confidence. Several factors point to the benefits of improving transparency in the program. The GAO report published in May 2013 identified the need to enhance program oversight and transparency as a challenge for the Commission.⁷ In addition, a recent report published on by the National Council on Disability (NCD) concluded that the AbilityOne Program is hampered by a lack of transparency and confusion over compliance roles.⁸

Commission Meetings

The Commission's public meetings are regularly held four times a year.⁹ The holding of public meetings at each of the CNA's Annual Conference has positively impacted transparency and maximized access and consumption of information. The Commission transitioned to virtual meetings during the global pandemic and the meeting attendance and engagement increased. Commission meetings, enhanced by advance subcommittee work, with larger and more robust agendas that have open discussions, would work better to inform stakeholders. A positive milestone was accomplished early in Chairperson Koses tenure. The Commission members made tremendous strides in creating three Commissioner-led subcommittees on enterprise risk management and auditing, performance management, and competition, which will introduce innovation and advance transparency.

Revitalizing the Commission-led subcommittee system will increase open dialogue among the members (the Commissioner) and generating solutions. These Commission-led subcommittees can

⁵ [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 \(2018\)\).](#)

⁶ U.S. Congress, House of Representatives, Government Operations Committee, *Amendments to the Wagner-O'Day Act: Report (To accompany H.R. 8011)*, 92nd Cong., 1st Sess., 1971, H.R. Rep. 92-228, 1082.

⁷ [GAO-13-457, "Employing People with Blindness or Severe Disabilities: Enhanced Oversight of the AbilityOne Program Needed," \(May 2013\).](#)

⁸ [Policies from the Past in a Modern Era: The Unintended Consequences of the AbilityOne Program & Section 14\(c\)](#)

⁹ [2019 Commission Public Meetings.](#)

also leverage resources, for instance, by establishing liaisons from each of the CNAs to provide input. Subcommittees will have the goal of completing initiatives. A better organized library of public meetings with a collection of content material would increase communication and provide access from stakeholders to relevant and reliable information related to AbilityOne Program's events.

The Commission inhibits transparency with two practices: the frequent use of executive sessions (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, but they limit transparency and encourage participants and other stakeholders to infer that Commission actions are not meant to be well understood. Encouraging the dynamics of information flow would benefit information exchange, with the Commission acting as a leader in communication practices and not viewed as controlling or restricting it. For instance, a House Report points to questions raised by Congress about language in the Cooperative Agreements between the Commission and the CNAs requiring the CNAs to notify in advance and report to the Commission any meetings with key stakeholders, including with Congressional members and staff.¹⁰

Progress In Addressing The Challenge

In 2015, the Commission published a series of pricing policies ranging from market research, development and recommendation, submission and negotiation of Fair Market Prices (FMP) for products on the AbilityOne Program Procurement List (PL).¹¹ The Cooperative Agreements, as required by the Consolidated Appropriations Act of 2016, measure CNA operations.¹² This is a step in the right direction. The step should also, though, include a description of the Commission's review procedures of pricing packages so that CNAs and NPAs can prepare the pricing packages accordingly.

The Cooperative Agreement between the Commission and AFB, signed in July 2018, is supposed to provide an enhanced CNA model focusing on increasing job placement and career-advancement opportunities in knowledge-based positions. However, AFB has no NPAs and no AbilityOne contracts. At this time, the work of AFB, the third Commission-designated CNA, consists of research and studies. Upon completion of 12 to 15 months (since July 2018), not to exceed 18 months, the Commission stated it plans to conduct a review of AFB's Phases. In December 2018, the renewal of the Cooperative Agreements with NIB and SourceAmerica was intended to be a step taken by the Commission to strengthen oversight and evaluate performance.¹³

In the 2017 NDAA, Congress created a Panel, the Department of Defense and AbilityOne Contracting, Oversight, Accountability, and Integrity¹⁴ (hereinafter, the "898 Panel"). The mandate of the 898 Panel includes making recommendations to Congress regarding the JWOD Act and improving the AbilityOne Program.

¹⁰ [House Report 116 -62 at 223.](#)

¹¹ [AbilityOne Program Procurement List Pricing Policy \(51.600 series\)](#)

¹² [Public Law 114-113.](#)

¹³ See [NIB Cooperative Agreement](#); See also [SourceAmerica Cooperative Agreement](#).

¹⁴ Pub. L. 114-328, FY 2017 National Defense Authorization Act.

The 898 Panel is responsible for recommendations in seven areas of Congressional interest. The primary mission of the Panel is to identify vulnerabilities and opportunities in the Department of Defense contracting with the AbilityOne Program and recommend improvements through a Report to Congress. The upcoming one will be the Panel's third annual report, which provides progress on the implementation of the recommendations identified in the first and second reports to Congress. The third annual report covers the period of November 1, 2019, through October 31, 2020. The implementation of the work by the Commission on a majority of the recommendations to establish or update policy, business practices, and regulations, or to recommend Congressional amendment of the Javits-Wagner-O'Day (JWOD) Act will have a positive impact on the transparency of the AbilityOne Program. The success of these recommendations is contingent upon the AbilityOne Commission implementing necessary measures to ensure the effective completion and success of the desired improvements identified by the excellent work of the 898 Panel.

The 898 Panel has given Commission leadership opportunities for increasing its outreach through program visits, meeting with DoD customers, and designing a communication initiative for the 898 Panel recommendations for the CNAs and the NPAs. This includes town halls and webcasts hosted or sponsored by the Commission, and commitment and collaboration of the Panel members and subcommittees to engage CNAs' perspective and inputs to improve the AbilityOne Program.

Management Challenge 5: Erosion of Statutory Program Authority

Why This Is a Challenge

The challenge of program erosion is at a pivotal stage. During the last three reports, we presented the concept of erosion of statutory program authority as a challenge to ensure this excellent program has the resources and support it needs to grow and increase the employment of blind and severely disabled workers. The legal framework for the AbilityOne Program was created in 1938 and amended in 1971. Since then, it has not had a reauthorization or modernization. Since 1971 Congress has enacted, and agencies have implemented, multiple acquisition reform laws designed to modernize the way government agencies buy goods and services. Some of these laws have created conflict with the AbilityOne Program. This year brought progress with an effort to preserve the employment of the blind and severely disabled, Congress passed the *VA Contracting Preference Consistency Act of 2020*,¹⁵ which became law on August, 8, 2020, and was created to preserve the AbilityOne Program with respect to products and services that the VA was purchasing before the VBA was enacted in 2006.

The Veterans Benefit Act of 2006 and the “Rule of Two”

Congress passed the Veterans Benefits Act (VBA of 2003), which encouraged contracts awarded to service-disabled veterans with the explicit exclusion that such award should not be made if the procurement is available as a JWOD set-aside. In 2006, however, Congress enacted the Veterans

¹⁵ Public Law No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).

Benefits, Health Care, and Information Technology Act (VBA of 2006), which removed JWOD language from the VBA of 2003 and created ambiguity as to which law (JWOD or VBA 2006) took priority in determining contract source.

In *Kingdomware Technologies, Inc. v. United States*,¹⁶ 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.”¹⁷ 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.¹⁸

In its 2018 decision, *PDS Consultants*,¹⁹ the U.S. Court of Appeals, Federal Circuit, ruled that the 2006 VBA requirements took priority over the AbilityOne procurement list, jeopardizing contracts for products and services that had previously been provided through AbilityOne program contracts. The Court of Federal Claims held that the VA must conduct a “Rule of Two” analysis for all new procurement contracts before treating the AbilityOne Procurement List as a mandatory source pursuant to the JWOD Act. The Court of Federal Claims also held that because the VBA of 2006 applied only to the VA’s procurements, the VBA was a more specific statute than the JWOD Act’s broad application government-wide, and thus the VBA would take precedence, regardless of the existence of a prior contract with a Procurement List contractor.

In an effort to preserve the employment of the blind and severely disabled, Congress passed the *VA Contracting Preference Consistency Act of 2020*,²⁰ which became law on August 8, 2020, and was created to preserve the AbilityOne Program with respect to products and services that the VA was purchasing before the VBA was enacted in 2006. The Veterans First Program under the VBA still applies to all other products and services. In order to ensure compliance with *VA Contracting Preference Consistency Act of 2020*, the VA revised its Acquisition Regulation VAAR at Part 808 to restore AbilityOne as a priority mandatory source for covered products on the Procurement List, except that contracts previously awarded to VOSBs between December 22, 2006 and August 7, 2020 shall continue to receive preference under certain conditions.

Randolph-Sheppard Act

The Randolph-Sheppard Act (RSA) was passed in 1936 and amended in 1954 and 1974.²¹ Its implementation has been in conflict with the JWOD Act since the latter’s 1938 inception. 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 (ED) prescribes regulations for the Randolph Sheppard Vending Facility Program (“vending program”) as set forth in 34 CFR, Part 395, implementing RSA as amended.

¹⁶ 136 S.Ct. 1969 (2016).

¹⁷ Veterans Benefits Act of 2006, 38 U.S.C. § 8127(d).

¹⁸ *Kingdomware Technologies, Inc. v. United States*, 136 S.Ct. 1969 (2016).

¹⁹ *PDS Consultants, Inc. v. U.S., Winston-Salem Industries for the Blind*, 907 F.3d 1345 (October 17, 2018).

²⁰ Public Law No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).

²¹ 20 U.S.C. § 107 et. seq.

Under ED’s vending program, “state licensing agencies recruit, train, license, and place individuals who are blind as operators of vending facilities located on federal and other properties. The RSA authorizes a blind individual licensed by the state to conduct specified activities in vending facilities through permits or contracts.”²² However, recent progress has been made by RSA participants and supporters to implement the respective mandates as Congress intended.

In 2006, Congress sought to dispel the confusion and conflict between the JWOD and RSA Acts via the 2006 National Defense Authorization Act. Congress required the agencies administering both the JWOD Act and the RSA (the Commission and ED, 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.”²³

The Commission, ED, 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].”²⁴ The three agencies also “solicited public comments through a notice in the Federal Register, and approximately 240 comments were received.”²⁵

The agencies memorialized their agreement as to the policy that should govern the 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 [DoD] 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.²⁶ However, “In all other cases, the contracts will be set aside for JWOD performance.”²⁷

After two years²⁸ of lost AbilityOne Program jobs, the Unified Agenda²⁹ published on June 11, 2018, includes an entry by DoD regarding this proposed rule. The 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.

²² <https://www2.ed.gov/programs/rsarsp/index.html>.

²³ NDAA of 2006, Pub. L. No. 109-163, § 848(b), 119 Stat. 3136, 3395 (2006).

²⁴ 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.

²⁵ *Id.*; see also [Statement of Policy and Report Relating to Contracting with Employers of Persons with Disabilities, 71 Fed. Reg. 5819 \(Feb. 3, 2006\) \(requesting public comments\)](#).

²⁶ Joint Policy Statement at 4, Full Food Services (FFS).

²⁷ *Id.* (emphasis added).

²⁸ See FY 2015 NDAA Joint Explanatory Statement (prompting the DFARS rule). P.L. 113-291 (December 2014).

²⁹ The Unified Agenda is a semi-annual report on the actions that agencies plan to issue in the near and long term.

This program continues to face challenges to its authority. In *Top Gun Services, LLC v. U.S.*³⁰, Top Gun alleged that the Defense Commissary Agency’s (DeCa) Notice to Trade utilized a sole-source method in violation of the Competition in Contracting Act. Top Gun contended that DeCa had “deprived it of the opportunity to compete for the work it [was] awarding through NTT 2020.” However, the Court dismissed the suit on the grounds that Top Gun lacked proper standing. The Court ruled that Top Gun lacked subject-matter jurisdiction. In order for it to establish standing, the Court stated that it must show: “(1) that it is an actual or prospective bidder or offeror and (2) that it has a direct economic interest which would be affected by the award of the contract or by failure to award a contract.” Top Gun failed to establish that it was a qualified bidder, it was not a nonprofit agency, and it did not fall within the definition of qualified nonprofit agency” as set forth in 41 U.S.C. §§ 8501(6), 8501(7), and 8503(a)(1).

E-Commerce

Government-wide use of procurement through 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 846³¹. Section 846 directed the General Services Administration (GSA), in partnership with the Office of Management and Budget (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 Commission announced the end of the pilot program between the Commission and Amazon at the end of the 2019 fiscal year. While the Commission was able to gain insight into E-commerce platforms, the pilot did not lead to an increase in AbilityOne sales. Amazon did not block “essentially the same” (ETS)³² offerings on its platform and substitute those products with AbilityOne products, which is a feature that the Commission requires of its authorized distributors. This required feature is accomplished when the E-Commerce purchases comply with the JWOD Act, which requires that government agencies buy from the AbilityOne Program.

On April 2019, the U.S. General Services Administration (GSA) and OMB issued the phase 2 joint implementation plan, which focuses on market research. Phase 3 of the plan will focus on implementation guidance, informed by an initial proof of concept, and continued stakeholder engagement.³³ GSA’s implementation of the Section 846 E-Commerce Platform is expected to extend through FY 2020. On October 1, 2019, GSA issued a solicitation seeking platform providers in support of this initiative. The solicitation requires respondents to respect the mandatory source requirements of the AbilityOne Program; providers must block “Essentially The Same” (ETS) items in the E-marketplace and substitute AbilityOne items. The solicitation also includes FAR 52.208-9, Contractor Use of Mandatory Sources of Supply or Services, and references to the mandatory source requirements in FAR 8.002, 8.004, and 8.005.

³⁰ *Top Gun Services, LLC v. U.S.*, 1:20-cv-00908-DAT, No. 20908C (Fed. Cl, Nov. 11, 2020).

³¹ Pub. L. 115-91.

³² ETS products are commercial products that the Commission has determined to be essentially the same as products included in the Procurement List.

³³ [Procurement Through Commercial E-Commerce Portals, Phase II Report: Market Research & Consultation.](#)

On April 1, 2020, GSA provided an update that the Commercial Platform's Acquisition was delayed due to the fact that GSA's resources and priorities have shifted to support the COVID-19 response. On May 4, 2020, GSA released its Spring 2020 Federal Marketplace (FMP) Strategy. The release includes various project improvements related to the COVID-19 response and other updated policies. For instance, to support the federal government's response to COVID-19, GSA has created buying guides to make it easier to identify building, screening, and IT services available for acquisition. The Acquisition Resources Hub on GSA's website also has a hub where suppliers can submit modifications to temporarily add non-Trade Agreement Act (TAA) products. GSA continues to update its INFORM pilot program, which creates an enhanced notification and selection process. GSA began expanding the INFORM effort in FY2020 and continues to do so through the present day. See [here](#) for more details regarding policy improvements by GSA.

In June 2020, GSA awarded E-Commerce platform contracts to three providers: Amazon Business, Fisher Scientific, and Overstock.com Inc. In August 2020, GSA released the first of a series of posts designed to educate stakeholders on topics related to the E-commerce platform, focusing on supply chain risk management and protecting users against counterfeit goods.

The OIG views the innovations of E-Commerce as the future of an evolving marketplace. There is, however, the risk for significant program erosion despite the 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 that the E-Commerce platform seeks to serve is the AbilityOne Program itself.

Additional Examples of Erosion of Statutory Program Authority

The following illustrates additional examples of 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.
- b. The 898 Panel report identified definitions that should be amended to bring JWOD into compliance with the Workforce Innovation and Opportunity Act;³⁴
- c. Efforts by the Small Business Administration to assert its preference programs over the mandated priority of the JWOD Act;
- d. Lack of enforcement capabilities for the AbilityOne Program to assert its mandated source-priority when federal agencies fail to purchase AbilityOne products and services;
- e. Increased legal challenges from qualified NPAs questioning the Commission's ability to administer the AbilityOne Program;
- f. As discussed in more detail in the transparency challenge,³⁵ a provision increasing

³⁴ ["Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity" 2018 First Annual Report to Congress \(898 Panel Report \(2018\)\) at 19.](#)

³⁵ [FY 2019 NDAA Chairman's Mark.](#)

contracting goals, and thus AbilityOne Program size, was not passed. 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."³⁶

Progress In Addressing The Challenge

In an effort to preserve the employment of the blind and severely disabled, Congress passed the *VA Contracting Preference Consistency Act of 2020*,³⁷ which became law on August, 8, 2020, and was created to preserve the AbilityOne Program with respect to products and services that the VA was purchasing before the VBA was enacted in 2006.

As mandated by Congress, the Commission is a member of the 898 Panel. The mandate of the 898 Panel includes making recommendations to Congress regarding the JWOD Act and improving the AbilityOne Program. The 898 Panel released its second annual report to Congress in January 2020.³⁸ Issuing 26 recommendations, the 898 Panel identified as a "significant overarching challenge . . . the limited resources available" to the Commission and OIG.³⁹ The 26 recommendations were grouped into seven areas. The 898 Panel's third annual report to Congress is scheduled to be issued at the end of December 2020.

The Commission will continue to work with Congress to update legislation improving the AbilityOne Program's statutory authority per the 898 Panel's recommendations that the Commission do so. The Commission continues to seek increased cooperation from AbilityOne Program CNA and NPAs participants to improve processes and controls, and to recognize the market evolution where NPAs increasingly contribute their own ideas for inclusion of items to the Procurement List.

What Needs To Be Done

While the Commission continues its work with the 898 Panel and agency partners, it is vital that contracting officials in federal agencies have a thorough understanding of the AbilityOne Program requirements. The implementation of 898 Panel's requirements will ensure Program growth for AbilityOne. In an effort to improve awareness about the AbilityOne Program, the Commission issues educational materials to agencies to help their respective contracting officials understand how the AbilityOne Program works.

The lack of Commissioners currently appointed, due to corresponding vacancies from federal government agencies,⁴⁰ deprives the agencies of a senior government official with AbilityOne

³⁶ [FY 2019 NDAA House Conference Report 115-874 at 920.](#)

³⁷ Public Law No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).

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

³⁹ *Id.* at 2.

⁴⁰ 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 Army, Department of the Navy, Department of the Air Force, Department of Education, Department of Commerce, Department of Veterans Affairs, Department

Commission-specific expertise, and deprives the Commission of a representative voice in those federal agencies. As a result, these unrepresented departments or agencies⁴¹ may be disadvantaged, and so is the Commission.

Management Challenge 6: Implementation of Cooperative Agreements with CNAs

Why This Is a Challenge

The Commission designates CNAs to facilitate the employment and training opportunities 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—NIB and SourceAmerica. The Commission designated AFB as a third CNA on July 26, 2018. This third CNA, AFB, is conducting research and studies, and has no NPAs or AbilityOne contracts.

The Commission is responsible for overseeing the implementation of the Cooperative Agreements with the CNAs to ensure performance.⁴² The Commission established a Program Management Office (PMO) with two professional staff to administer the implementation of the Cooperative Agreements. The new Director has been onboard since 2018 and has enhanced the performance of the PMO significantly during her tenure with improved communication, effective management of timelines and deliverables, and developing positive workflow with the stakeholders. The Director and Deputy Director of the PMO however, are understaffed to efficiently analyze and manage large volumes of deliverables received and reviewed annually in the administration for the three CNA Cooperative Agreements. Nevertheless, the Commission PMO is performing well and building the infrastructure needed to strengthen its oversight through Cooperative Agreements with designated CNAs. The positive results flow from stronger leadership in the PMO organization under the Director. Increased resources are needed for the PMO. 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. A strong focus on increasing resource allocation to the PMO office needs to be addressed by the Commission.

Progress In Addressing The Challenge

In December 2018, the renewal of the Cooperative Agreements with NIB and SourceAmerica was intended to be a step taken by the Commission to strengthen oversight and evaluate performance. In April 2020, the OIG issued a report on the audit of the implementation on Cooperative Agreements between the Commission and NIB and SourceAmerica.⁴³ The objectives of the audit were to determine whether:

of Justice, Department of Labor, and General Services Administration).

⁴¹ *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 confirmed Commissioners from the Departments of Agriculture, Defense, Army, Navy, Education, Veterans Affairs, and Justice.

⁴² [U.S. AbilityOne Commission Fiscal Year 2020 Budget Justification](#).

⁴³ [AbilityOne OIG Cooperative Agreement Audit](#)

- The Agreements are adequately designed and operating effectively to improve performance and transparency of the AbilityOne Program (Program); and
- The performance criteria are reasonable, measurable, and implemented to achieve effective oversight of the CNAs.

The audit concluded that while the Agreements were effective and designed to enhance accountability, operational effectiveness, integrity, and transparency of the Program, there are opportunities for improvements with the Commission's oversight of CNAs as it relates to compliance, deliverables, and performance measurements contained in the Agreements. The Commission PMO is performing well and building the infrastructure needed to strengthen its oversight through Cooperative Agreements with designated CNAs. The positive results flow from stronger leadership in the PMO organization under the PMO Director.

The Cooperative Agreements include the Commission's requirements for timeliness and accuracy in the CNAs' reporting submissions, 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 ceiling determination and implementation. In accordance with the Consolidated Appropriations Act of 2016, the Cooperative Agreements require program fees and expenditures to be disclosed to Congress on a quarterly basis.

Challenges in the implementation of the cooperative agreements has had positive results with stronger leadership in the PMO organization under the Director however, increased resources are needed for the PMO. A strong focus on increasing resource allocation to the PMO office needs to be addressed by the Commission.

Management Challenge 7: Establishing an Enterprise-wide Risk Management Framework

Why This Is a Challenge

The Commission does not have a formal enterprise-wide program for organizational risk and, as a result, is unable to effectively prioritize and manage risks. Since 2017, the OIG identified a lack of risk management as a serious management challenge. The Agency has made virtually no progress in addressing the challenge.

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. OMB Circular A-123 provides guidance to Federal Managers on improving the accountability and effectiveness of Federal programs and operations by identifying and managing risks, establishing requirements to assess, correct, and report on the effectiveness of internal controls.

In July 2020, OIG issued a management alert to the Agency to assist with progress in risk management.⁴⁴ In the management alert, OIG concluded that the lack of progress by the Commission in implementing an ERM framework coupled with open audit recommendations leaves the Commission vulnerable to fraud and mismanagement of resources, and diminishes reasonable assurance that the AbilityOne program is being managed and administered efficiently, effectively, and in compliance with applicable laws and regulations.

The Commission has continuously failed to prepare a risk profile document as required by OMB guidance, or make progress toward achieving this goal. This has limited the Commission's ability to identify challenges early, bring them to the attention of Commission leadership, and to develop the needed solutions. 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 acknowledged the need to establish a risk profile. The primary purpose of a risk profile is to provide an analysis of the risks an Agency faces toward achieving its strategic objectives arising from its activities and operations, and to identify appropriate options for addressing significant risks.⁴⁵ To this date, the Commission has not been able to use available staff or resources to accomplish the ERM Framework.

The Commission needs to implement 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). As the Commission continues to explore opportunities to increase resources as addressed in the Agency's Congressional Budget Justification, prioritizing to improve risk planning will better help achieve the intended benefits of the program.

[Progress In Addressing The Challenge](#)

Newly elected Chairperson Koses, together with the Commission members, made tremendous strides in creating three Commissioner-led subcommittees on enterprise risk management and auditing, performance management, and competition. The Commission has hired a new Chief Financial Officer; in his CFO role, this agency official is intended to address and institute stronger controls and building ERM. The Commission carries considerable risk areas such as implementing corrective action plans, and meeting- the statutory requirement to report ADA violations⁴⁶ to the President, Congress, and the Comptroller General.

Beginning in 2018, the Commission's Oversight and Compliance Office initiated a risk-based model to help identify at-risk or high-risk levels of an NPA's compliance with the AbilityOne Program. The office utilizes an internal control system using quantifiable metrics and the automated documentation system, referred to as the Procurement List Information Management

⁴⁴ [AbilityOne OIG Management Alert: Lack of Management Action on Enterprise Risk Management and Internal Control Enters Critical Stage](#)

⁴⁵ [OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Controls, July 15, 2016, Section II.B - Risk Profiles.](#)

⁴⁶ See Management Challenge 3: Addressing Anti-deficiency Violations and Strengthening Financial Management, at page 8 of this report.

System (PLIMS). The risk-based model, when fully implemented, should help integrate risk management and internal control activities into the compliance framework.

Management Challenge 8: Enhancement of Program Compliance

Why This Is a Challenge

Support by senior staff leadership of the compliance program continues to be ineffective. Pursuant to Title 41 CFR 51-4, the Commission's Oversight and Compliance Office assesses the 500 AbilityOne NPAs with their 45,000 employees for compliance with AbilityOne program requirements. Inspections by the office involve the NPA compliance of direct labor hour ratios, eligibility requirements (i.e. NPA-provided documentation regarding the employee's significant disability), and company health and safety standards. In FY2020 the Compliance office failed to complete one onsite visit inspection or review for a NPA.

While the Office of Compliance has made progress in providing oversight and has improved communication with the stakeholders, it remains that the Commission has not prioritized the allocation of sufficient resources to it for executing its compliance responsibilities. This includes full policy guidance, conducting routine inspections, providing comprehensive reviews of annual certifications, and training the NPAs participating in the AbilityOne Program. The Office of Compliance, which is located at the HQ in the DC area, was composed of only three employees. The staff of the Office of Compliance is only two employees, and the Office's director, the third employee of it, has recently left the Commission. Subsequent to the Compliance director's leaving, the Commission selected an acting director to manage the Compliance Office from the Commission's Western field office, located at Joint Base Lewis-McChord, in Washington state. The Western field office is staffed with one employee, the field office director.

Without allocating additional resources to its Office of Compliance, the Commission cannot meet its compliance mission.

The Compliance Office delegates certain compliance duties to the CNAs. Since 2011 the Compliance Office has not performed meaningful compliance visits to NIB-affiliated NPAs. This lack of direct oversight of the approximately 60 NPAs under NIB poses a risk to program-wide compliance. In addition, an appropriately higher rate of compliance oversight by the Commission on the CNAs will help identify risks for fraud, as reported on the civil fraud case involving Goodwill Memphis, a SourceAmerica-affiliated NPA.⁴⁷

Essential and basic areas of program integrity are still in progress. For instance, NPAs have expressed concerns about the absence of a revised and finalized compliance guidance, procedures, and practices by the Commission to fulfill compliance requirements. The Commission abandoned the completion of the compliance manual over the summer and issued a number of new and revised compliance policies. The policies have been published on the Commissions website.

⁴⁷ <https://www.justice.gov/usao-wdtn/pr/memphis-goodwill-industries-inc-will-pay-150000-united-states-claims-were-violation>

Progress In Addressing The Challenge

The OIG previously reported progress made on this management challenge. The hiring of a new Director (who recently has left the Agency), the implementation of virtual NPA documentation assessments, and streamlining of the compliance standardization processes all contributed to making progress. The Commission working with the 898 Panel and completing compliance policies has contributed to progress. In addition, the Commission's Oversight and Compliance Office designed a risk-based model. The risk-based model introduced a process for the identification of NPAs considered either at-risk or at high risk, through the automated documentation system – PLIMS –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.

Conclusion

The OIG reports on the most significant management and performance challenges facing the Commission, in accordance with the Reports Consolidation Act of 2000 (P.L. 106-531), for inclusion in the Commission's Performance and Accountability Report for FY 2020. The challenge areas identified by the OIG are connected to the Commission's mission to provide employment and training opportunities in the manufacture and delivery of products and services to the Federal Government for people who are blind or have significant disabilities.

The OIG identified the top management and performance challenges facing the U.S. AbilityOne Commission as: Allocation of Roles, Resources Authorities, and Responsibilities Among the Commission Senior Staff; Successful Implementation of the Section 898 Panel Recommendations; Addressing Anti-deficiency Violations and Strengthening Financial Management; Higher Level of Transparency and Communication Needed to Enhance Program Confidence; Erosion of Statutory Program Authority; Implementation of Cooperative Agreements given Central Nonprofit Agencies Growth; Establishing an Enterprise-wide Risk Management Framework; and 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 report on a new challenge with organizational governance. The allocation of resources and responsibilities among the Commission senior staff creates challenges in achieving positive business outcomes.

Appendix I



U.S. AbilityOne Commission Update

AbilityOne Response to COVID-19 Crisis

July 9, 2020



AbilityOne is a pivotal part of America's response to the COVID-19 crisis.

Federal customers depend on AbilityOne's proven and reliable employees – 45,000 people who are blind or have significant disabilities – working at the grassroots level to meet the unprecedented and fast-changing demands of this national emergency.

Many AbilityOne employees are designated as essential and serve on the front lines of the COVID-19 crisis.

U.S. AbilityOne Commission – Leading Through the Crisis

AbilityOne is protecting its people, surging nationwide to meet exponential increases in demand, and supporting the national emergency response at all levels of government.

- **Commission immediately created a crisis team – the integrated nerve center for AbilityOne’s COVID-19 response actions.**
 - Contingency Support Operations and Communications (CSOC) Team.
 - Single point of contact for Federal customers, Central Nonprofit Agencies (CNAs), and AbilityOne’s 500 nonprofit agencies.
 - Centralized strategic repository for all AbilityOne COVID-19 response activities. Staffed by Commission, National Industries for the Blind (NIB), SourceAmerica.
 - Provides seamless execution and real-time information to decision-makers at Federal agencies on high-demand stock and raw materials availability / delivery.
 - Crisis response team collaboration between Commission and CNAs – NIB and SourceAmerica – strengthens capacity, accelerates processes and provides solutions that meet key requirements.

- **Commission crisis response is based on transparent and frequent communication with stakeholders – swiftly issued new guidance, decisions and communications to help Federal agencies meet emergency needs:**
 - [Chairperson Robinson letter to Board Chairs of NIB and SourceAmerica](#)
 - [Procurement List Change -- Scope Expanded for Make-To-Order Kits, and Manufacturing and Development Assistance -- Available to All Contracting Activities During National Emergency](#)
 - [AbilityOne Flexibilities Related to the Coronavirus \(COVID-19\) Emergency and Recovery for the Duration of Fiscal Year 2020](#)
 - [AbilityOne Contingency Support Operations and Communications \(CSOC\) Team and COVID-19 National Emergency Guidance](#)

Page 1 photo: The USNS Comfort arrived in New York Harbor on March 30, 2020, to support the local healthcare system strained by COVID-19. People with disabilities employed by VersAbility Resources, an AbilityOne-participating nonprofit in Hampton, Virginia, loaded the ship with meals for the 1,000-plus crew members – one of many AbilityOne actions to support the pandemic response at all levels of government. Photo by Kenneth Wilsey, FEMA



Employees at TRDI, in San Antonio, are among those performing essential janitorial services for Federal agencies including GSA and the Dept. of Homeland Security.

AbilityOne Program Highlights

- **Uninterrupted employment continues for vast majority of 45,000 AbilityOne employees – trained, proven, resilient, ready to work.**
- **95 percent of AbilityOne nonprofits have remained open throughout the crisis.**
 - Essential manufacturers in industrial base, producing 14,000 different products.
 - Expertise to train employees, renew national stockpiles, produce Personal Protective Equipment (PPE).
- **Commission is in continual contact with senior procurement officials** to identify demand for products and services – Army, Air Force, Defense Logistics Agency, GSA, HHS and FEMA.



Industries of the Blind, in Greensboro, N.C., is among the nonprofit agencies manufacturing masks.

- **AbilityOne continues to staff critical, uninterrupted services including:**
 - Dining facilities and switchboard operations at military bases and VA hospitals.
 - Call centers for the Internal Revenue Service and Veterans Affairs, as well as an unemployment call center for the State of Florida.
 - Base Supply Centers, which remain open at most military installations.
 - Now, and as Federal workforce returns, AbilityOne employees sanitize Federal buildings including the Pentagon and 32 hospitals on military bases.



Employees at the Lighthouse Works call center, part of Lighthouse Central Florida, have been hired by Florida's Dept. of Economic Opportunity to help process soaring unemployment claims.

- **Exponential growth in demand – especially for PPE and sanitizing products.**
 - High-demand products include gloves, masks and gowns.
 - More than 1,000% increase in demand for some items.
 - One distributor said filling 1 month of orders would require 14 years of inventory.
 - Some nonprofits are running production lines 24/7.

- **Nonprofits re-tooling production lines, buying equipment, hiring people, adding shifts – warehouse space is available to accommodate increased production.**
 - Contracts awarded to AbilityOne nonprofit agencies to produce cloth masks for Army, Air Force and U.S Census Bureau. (Census purchased 2.7 million.)
 - Commission working with Army Corps of Engineers and Navy on potential mask orders, and with DLA for gowns.

- **AbilityOne has been a linchpin in major emergency response actions.**
 - USNS Comfort deployment to New York City – Loaded meals for crew of 1,000 before ship sailed to NYC to support overwhelmed healthcare system.
 - At New York City’s Javits Center and other hotspots, provided laundry services for more than 3,000 troops supporting temporary medical facilities.
 - USS Theodore Roosevelt – AbilityOne produced an Expeditionary Medical Facility Medical/Surgical Push Package for a 150-bed facility deployed to Guam to support this aircraft carrier.
 - AbilityOne employees proudly support our warfighters – from providing PPE to making uniforms to making U.S. flags that honor our fallen.

- **AbilityOne is protecting employees.**
 - Commission Chairperson issued [letter](#) to Board Chairs of NIB and SourceAmerica stressing importance of health and safety of AbilityOne employees.
 - CNAs regularly send guidance, best practices, assistance to nonprofit agencies.
 - SourceAmerica launched PPE Resource Order Center, providing PPE to member nonprofit agencies at cost.

- **Nationwide news media coverage and key Commission information** are on the [AbilityOne COVID-19 web page](#). [NIB](#) and [SourceAmerica](#) also have COVID-19 web pages.

About the AbilityOne Program

The AbilityOne Program is one of the largest sources of employment in the United States for people who are blind or have significant disabilities. Approximately 45,000 people who are blind or have significant disabilities, including approximately 3,000 veterans, are employed at approximately 500 nonprofit agencies nationwide, across 15 time zones, from Maine to Guam.

In FY 2019, AbilityOne provided nearly \$4 billion in products and services to the Federal government. The Program operates at more than 1,000 locations, representing 40 government agencies. It operates more than 150 Base Supply Centers at military installations and government facilities.

Over the past 10 years, AbilityOne employees:

- Earned nearly \$6 billion in wages.
- Received more than 3,800 promotions.
- On contract closeout projects, identified \$2.7 billion for de-obligation.

About the U.S. AbilityOne Commission

The AbilityOne Program is administered by the [U.S. AbilityOne Commission](#), the operating name of the Committee for Purchase From People Who Are Blind or Severely Disabled. The Commission is an independent Federal agency comprised of 15 Presidential appointees: 11 represent Federal agencies, and four serve as private citizens who are knowledgeable about employment barriers facing people who are blind or have significant disabilities.

The Commission designates Central Nonprofit Agencies (CNAs) to facilitate the employment of people who are blind or have significant disabilities. CNA cooperative agreements with the Commission include performance work statements, quality assurance surveillance plan deliverables, and agreement clauses. The Commission currently executes the AbilityOne Program based on cooperative agreements with three CNAs: National Industries for the Blind, SourceAmerica and the American Foundation for the Blind. CNAs are private sector organizations. (American Foundation for the Blind is currently in a research phase.)