U.S. ABILITYONE COMMISSION
FISCAL YEAR 2021
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

Message from the Chairperson

I am pleased to present the U.S. AbilityOne Commission's FY 2021 Performance and Accountability Report. Through the AbilityOne Program, more than 42,200 Americans who are blind or have significant disabilities are employed in jobs that furnish nearly $4 billion annually in products and services to the Federal Government. This report demonstrates the Commission's commitment to accountability, transparency and stewardship in overseeing the Program.

The AbilityOne Program continues to play a pivotal role in America's response to the COVID-19 pandemic, especially in keeping Federal workers and buildings safe. More than 95% of nonprofit agencies (NPAs) have remained open and operational throughout the pandemic, and their essential employees continue to serve on the front lines of this national emergency.

Throughout the crisis, the Program has ensured continuity of uninterruptible 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.
- Base Supply Centers, which remain open at most military installations.

Apart from the war against COVID-19, two landmark actions are underway within AbilityOne. They will transform both AbilityOne's alignment with modern national disability policy and the Program's future jobs outlook.

First, on AbilityOne contracts, the Commission began a formal rulemaking process to prohibit payment of subminimum wages on contracts within the AbilityOne Program. The proposed rule reflects the Commission's position that subminimum wages are not consistent with the Commission's determination of a qualified nonprofit agency for contracts under the Javits Wagner-O'Day (JWOD) Act and the AbilityOne Program it authorizes.

Second, the Office of Federal Procurement Policy issued a groundbreaking memorandum on "Increasing the Participation of Americans with Disabilities in Federal Contracting." It encourages agencies to pledge 1% to 1.5% of their contract spend to employment of people who are blind or have significant disabilities. This could create tens of thousands of jobs for years to come for this underserved population.

The Commission continues to focus on long-term programmatic improvement, including:

- The Chief Financial Officer made significant progress on increasing the agency's financial management and risk management capabilities including closing 12 open financial audit recommendations; establishing financial processes and controls for funds management, obligations and payments; and completing a range of Enterprise Risk Management actions.
- Compliance policies and procedures were updated and streamlined. New and extensive compliance FAQs were developed and posted on the Commission website.

- The Commission actively participated 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 Third Annual Report to Congress, submitted in February 2021, noted that of the 24 recommendations being tracked, seven were completed, while the others are in various stages of implementation.
- The Commission continued 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 them against fraud, waste, abuse and mismanagement.
- Major increases in transparency and public engagement were achieved by implementing new listening sessions at quarterly public meetings, where attendance more than tripled in FY 2021.
- In August 2021, the President appointed four new private citizens to the Commission.
- Additional funding in FY 2021 enabled the Commission to hire 10 new employees, as well as convert two contractor positions to FTEs. The majority of these hires add capability and capacity in compliance, financial management, legal and operations, and reflect further alignment with 898 Panel recommendations.

More information on agency performance is in the March 2021 Report to the President.

Financial Management

I believe the performance and financial data presented in this report are complete and reliable in accordance with OMB guidance. The adequacy and effectiveness of our management controls and the compliance of our financial management systems with government-wide requirements are delineated in Section 1.7, Analysis of Systems, Controls and Legal Compliance, in the Management's Discussion & Analysis part of this PAR. The section also provides the status of actions we are taking, and progress we are making, to correct internal control deficiencies and material weaknesses identified by the Independent Auditor. We continue to strengthen internal controls and implement solutions that enhance our operational effectiveness and efficiency.

Sincerely,

DocuSigned by:
Jeffrey A. Koses
21BD80B9E8AC4A0...
Jeffrey A. Koses
Chairperson and Presidential Appointee

Table of Contents

1. Management's Discussion and Analysis

1.1. Overview

The U.S. AbilityOne Commission is the independent Federal agency that oversees the AbilityOne Program, which creates private sector jobs for more than 42,000 people who are blind or have significant disabilities, while providing quality products and services to Federal customers at a fair market price.

The U.S. AbilityOne Commission is the operating name for the agency, whose statutory name is the Committee for Purchase From People Who Are Blind or Severely Disabled. The Commission administers the AbilityOne Program in accordance with the Javits-Wagner-O'Day (JWOD) Act (41 U.S.C. §§ 8501-8506).

A driver of economic empowerment, AbilityOne is one of the largest sources of jobs in the country for people who are blind or have significant disabilities, an underserved population that has historically experienced the lowest employment rate of any segment of U.S. society.[1] 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 2020.[2] AbilityOne employees work nationwide at approximately 500 nonprofit agencies (NPAs), from Guam to Maine.

Growing jobs for people with disabilities, and particularly veterans, is both an Administration and a nonpartisan priority. The Commission and AbilityOne Program have the experience and capacity to contribute effectively to this national priority.

More than 3,200 wounded, ill or injured veterans work in direct labor jobs in the AbilityOne Program. In addition, AbilityOne NPAs employ nearly 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 Afghanistan and Iraq.

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.

1.2. 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:

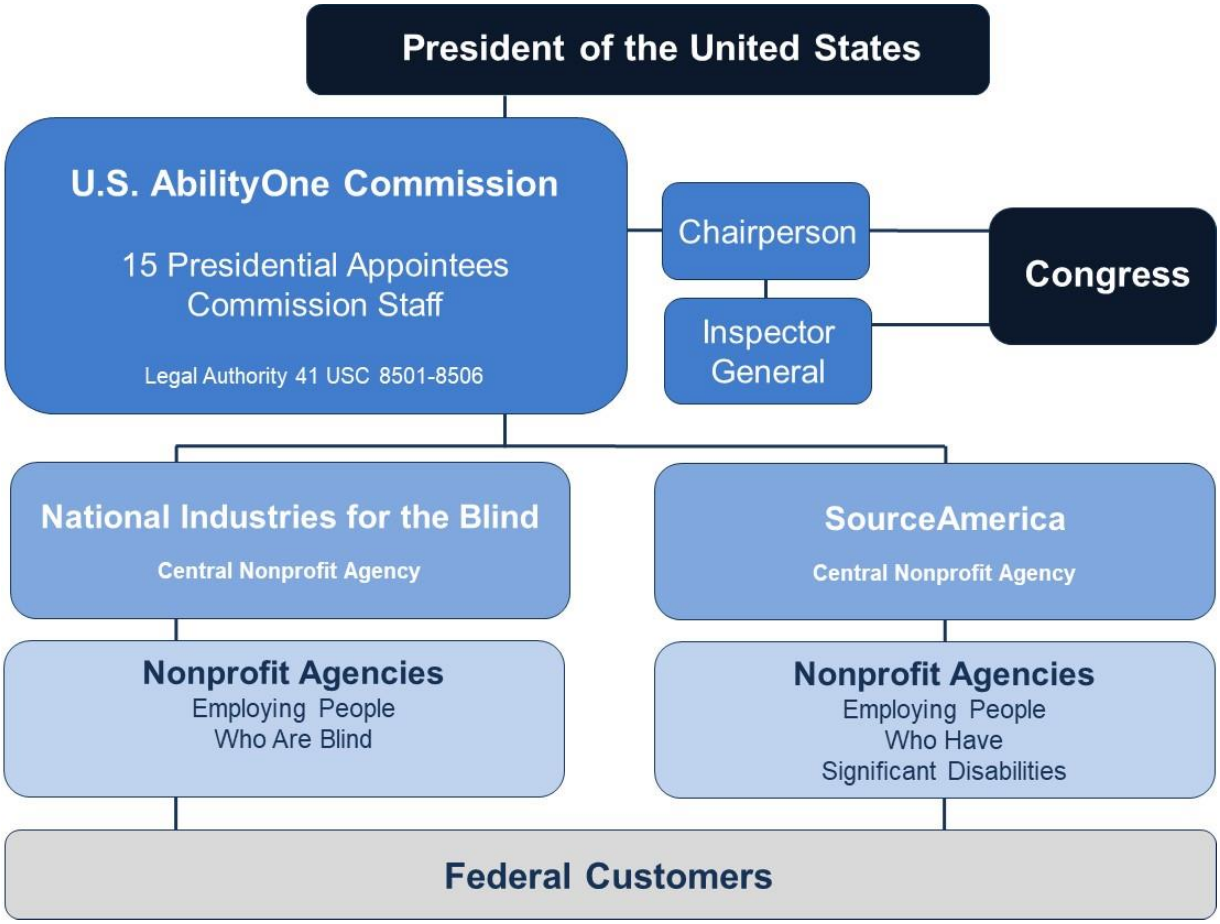
- Every person who is blind or has a significant disability and who wants to work is provided an opportunity to be employed productively.
- Every AbilityOne employee earns not only the Federal minimum wage (or higher applicable state or local minimum wage) but also a living wage and benefits package 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. Program Structure and Responsibilities

Organizational Overview



Presidential Appointees

The Commission is composed of 15 Presidential appointees. Eleven represent Government agencies. Four private citizen members represent the employment concerns of people who are blind or have significant disabilities.

Presidential appointees on the Commission bring extensive expertise and tested judgement that promote the effective implementation of the JWOD Act, the operational efficiency of the Commission and AbilityOne Program, and the interests of people who are blind or have significant disabilities.

Each appointee representing a government agency is a senior procurement official with decades of experience in acquisition and procurement, or a disability employment policy expert responsible for related programs in their own agencies. Each private-citizen appointee is an individual with broad knowledge of the employment problems facing people who are blind or have significant disabilities.

Recent departures due to retirements and the change of Administration left the Commission with three Government agency members (Commerce, General Services Administration and Labor) and eight vacancies (Agriculture, Air Force, Army, Defense (Defense Logistics Agency), Education, Justice, Navy and Veterans Affairs).

In August 2021, the President appointed four new private citizens to the Commission. There are now no vacancies in the Commission's private-citizen membership.

The Commission is working with the White House Office of Presidential Personnel to advance nomination packages for new Federal members. In the meantime, nearly all of the Government agencies with vacancies are represented at Commission meetings by senior officials who provide input on issues related to their respective agencies and are available for consultation on an ongoing basis.

Commission Staff

The Commission operates as an independent agency of the Federal Government with 38 full-time equivalent (FTE) employees. The Commission staff maintains Agency operations and prepares materials required by law, regulation and policy to inform the decisions made by the Presidential appointees.

The Agency also has an Office of Inspector General (OIG), created in June 2016 as the result of the Consolidated Appropriations Act, 2016. 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.

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.
- 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.

Central Nonprofit Agencies

The Commission currently has two designated Central Nonprofit Agencies (CNAs) – National Industries for the Blind (NIB) and SourceAmerica – to facilitate the distribution of orders and assist the approximately 500 NPAs participating in the AbilityOne Program.

Commission Members

The following Presidential appointees served as Commission members in FY 2021:

* Indicates members who left the Commission

Jeffrey A. Koses (SES)
Chairperson
Senior Procurement Executive
General Services Administration
(Elected Interim Chairperson, October 2020; elected Chairperson, February 2021)

Chai Feldblum
Vice Chairperson
Private Citizen
(Appointed to Commission effective July 2021; elected Vice Chairperson, September 2021)

Robert T. Kelly, Jr.*
Past Vice Chairperson
Private Citizen
(Vice Chairperson or Interim Vice Chairperson, July 2018 – July 2021; concluded Commission tenure, July 2021)

James M. Kesteloot*
Past Chairperson
Private Citizen
(Chairperson, July 2015 – July 2018; concluded Commission tenure, July 2021)

Thomas D. Robinson (SES)*
Past Chairperson
Director of Contracting, Air Force Life Cycle Management Center
Wright-Patterson AFB, OH – Department of the Air Force
(Chairperson, July 2018 – October 2020; concluded Commission tenure, October 2020)

Bryan Bashin
Private Citizen
(Appointed to Commission effective July 2021)

Christina Brandt
Private Citizen
(Appointed to Commission effective July 2021)

Gabriel M. Cazares
Private Citizen
(Appointed to Commission effective July 2021)

Mark Allan Schultz (SES)*
Commissioner, Rehabilitation Services Administration
Department of Education
(Served on Commission May 2020 – January 2021)

Jennifer Sheehy (SES)
Deputy Assistant Secretary, Office of Disability Employment Policy
Department of Labor

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

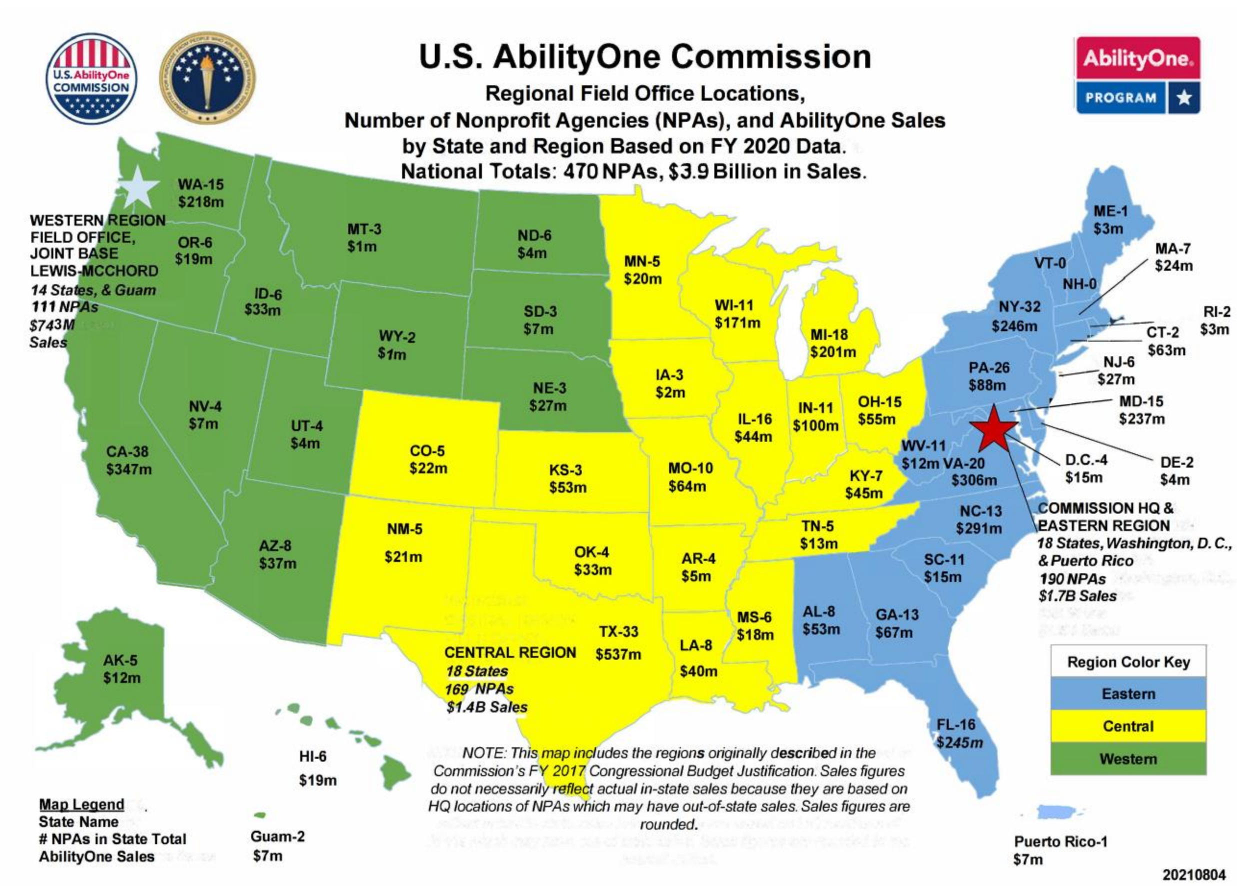
Commission Meetings

Commission public meetings are held quarterly; however, special meetings may be called by the Chairperson at any time. FY 2021 Commission public meetings were virtual as follows:

October 6, 2020
January 14, 2021
April 8, 2021
July 8, 2021

1.5. Performance Highlights

AbilityOne People and Numbers – FY 2020	
AbilityOne employees who are blind or have significant disabilities	42,200
AbilityOne wages paid	$675,852,534
Estimated Health and Welfare Fringe Benefits (in addition to wages)	$150,000,000
Average hourly wage	$14.70
Cost per job (Commission FY 2021 $10.5M budget ÷ 42,200 jobs)	$249
Sales of products and services to Federal customers (approximate)	$3.9 billion
Wounded, ill or injured veterans working in AbilityOne direct labor jobs	3,200
AbilityOne nonprofit agencies remaining open during pandemic	95%
AbilityOne total placements	1,743
AbilityOne total promotions	1,365



Most data contained in this document is from FY 2020, due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2021 data is highlighted.

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.

Analysis of the financial statements shown in Section 3 indicates that the most significant difference between FY 2020 and FY 2021 was the change in total assets of $1.3 million; new obligations and upward adjustments were a $1 million decrease; and outlays increased by $316,000. In addition, operating expenses were less due to less funding for contract labor. Lastly, prior period adjustments increased to ensure correct presentation of balances on the FY 2021 Balance Sheets, Statements of Net Cost, and Statements of Changes in Net Position.

1.7. Analysis of Systems, Controls and Legal Compliance

U.S. ABILITYONE COMMISSION

FY 2021
Management Assurance Statement

The U.S. 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 Independent Auditor, Allmond & Company LLC, identified material weaknesses indicated under paragraph (3). Except as indicated under (3) below, 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 2021, the Commission improved internal controls for funds management, obligations and payment processes reported in the 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 implement an Administrative Control of Funds policy.

   The Commission received an unmodified opinion in the FY2021 audit report. Although the Agency instituted corrective actions in FY2021 to improve internal controls of funds management, obligation, and payment processes, the FY2021 audit continued to report findings of prior material weaknesses, significant deficiencies, and non-compliance with laws and regulations as provided in section 3.

   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 provides reasonable assurance, except as noted in our assessment and findings documented by the Independent Auditor 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 Independent Auditor's report identified financial reporting findings in budgetary and accounting areas, as discussed below in Description of Independent Auditor's Findings.

Description of Independent Auditor's Findings

1. There were two material weaknesses and three significant deficiencies identified and communicated to us by Allmond & Company LLC in prior years' audits that remained unresolved as of September 30, 2020. The material weaknesses identified were for financial statements and footnotes not being prepared in accordance with U.S. GAAP and Federal Reporting requirements, and year-end accrued liabilities not being properly estimated or accurately recorded. The significant deficiencies identified were for employee benefits election forms not being maintained in eOPF per OPM requirements, lack of sufficient controls over financial reporting of balances relating to upward and downward adjustments of prior year obligations, and improvements needed in the recording of activity relating to reimbursable activity and the collection of reimbursable payments.
2. During the audit of the financial statements for the year ended September 30, 2021, the Independent Auditor communicated the following significant deficiencies and material weakness to us: a material weakness was identified for corrections for known errors and misstatements that were not identified or recorded in the general ledger. Significant deficiencies were identified for: interim financial statements and footnotes not prepared in accordance with U.S. GAAP and Federal reporting requirements; employee benefits election forms not maintained in eOPF per OPM requirements; year-end accrued liabilities not correctly estimated or recorded; and improvements needed for internal controls relating to property additions, disposals, and the recognition of construction in progress. In the current year audit, a repeat finding was included for non-compliance with laws and regulations related to Anti-Deficiency Act (ADA) violations for obligating expired funds. The finding was issued because the ADA reporting is still proceeding through the OMB clearance process. Other corrective actions include establishing documentation of control environment and control techniques to help detect and prevent risks. A Chief Financial Officer was hired, and a funds management, obligation and payment process was incorporated.

Kimberly M. Zeich

Acting Executive Director

1.8. Forward-Looking Information

The Commission considers forward-looking information, including risks and challenges, as it works to ensure a strong future for the AbilityOne Program and increased employment opportunities for people who are blind or have significant disabilities.

Chief Financial Officer

As a key part of this forward-looking focus, the Agency's new Chief Financial Officer (CFO) has made significant progress on Enterprise Risk Management and other areas (see in Section 2.1 New Chief Financial Officer for details).

Office of Inspector General (OIG)

The Office of Inspector General continues to build its capabilities to ensure promoting the economy, efficiency, and effectiveness of AbilityOne programs and operations, and protecting 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.

Stefania Pozzi Porter, formerly the Deputy Inspector General, was designated Acting Inspector General in July 2021, following the departure of the Commission's first permanent Inspector General, Thomas K. Lehrich.

In FY 2021, the OIG issued two semiannual reports to Congress, as required by the Inspector General Act of 1978. The OIG also issued an Audit of the Procurement List Addition Process, Procedures, and Practices; an Audit of the Central Nonprofit Agency Selection of Nonprofit Agencies for Project Assignment and Allocation of Orders; and a Biennial Audit Plan for Fiscal Years 2022–2023. It also issued two management alerts, "Lack of Management Action on ERM and Internal Controls" and "Persistent Deficiencies and Mismanagement of Agency Programs Hamper AbilityOne's Future."

On Nov. 12, 2020, the OIG issued an annual report on the "Top Management and Performance Challenges" facing the Commission and AbilityOne Program. The Commission continues to reference this report, which included 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.

AbilityOne Program COVID-19 Response

AbilityOne's essential workforce continues to be an indispensable part of America's response to the COVID-19 crisis.

- AbilityOne employees staff critical, uninterruptible services including dining facilities and switchboard operations at military bases and VA medical facilities.
- AbilityOne crews clean and sanitize Federal buildings, including the Pentagon and military hospitals.
- Nonprofit agencies manufacture urgently needed hand sanitizer and Personal Protective Equipment (PPE), including masks and gowns.

Challenges

Challenges currently facing the Commission include:

- Meeting the requirements of an increasing number of Congressional and Executive Branch mandates.
  - Consolidated Appropriations Act, 2016, requirements for Commission to (1) establish Cooperative Agreements to govern its relationship with the CNAs, and (2) establish an OIG.
  - Implementing recommendations of the "Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity" (898 Panel).
    - FY 2017 National Defense Authorization Act (NDAA) directed the Secretary of Defense to establish the Panel, whose mission is to address the effectiveness and internal controls of the AbilityOne Program related to DoD contracts.
    - 898 Panel duties include annual reporting to Congress on ways to eliminate waste, fraud, and abuse, and recommending changes to business practices and IT systems.
    - Panel currently tracks 24 recommendations outlined in Panel's February 2021 Third Annual Report to Congress.
    - Under the 2017 NDAA, DoD is authorized to terminate an NPA's AbilityOne contracts if that NPA does not comply with certain Panel recommendations. Program-wide, failure to implement Panel recommendations could jeopardize approximately 25,000 jobs for people who are blind or have significant disabilities.
  - Consolidated Appropriations Act, 2017, requirement for Commission to establish a Western U.S. Field Office.
  - Office of Management and Budget (OMB) requirements for IT and cybersecurity.
- Bolstering resources to meet mission requirements and increase oversight.
  - Additional staffing will be essential for the Commission as it supports the expansion of the AbilityOne Representatives (ABORs) program in accordance with the Office of Federal Procurement Policy (OFPP) memorandum "Increasing the Participation of Americans with Disabilities in Federal Contracting" (see Section 2.3).

- The 898 Panel and AbilityOne's Federal customers cite the need for more funding and staff for the Commission.
- Additional appropriations in FY 2021 enabled the Commission to add 12 FTEs in FY 2021 (including 2 contractor conversions):
  - 1 CFO
  - 1 Senior Budget Analyst
  - 3 Compliance & Vocational Rehabilitation Specialists
  - 2 Business Operations Specialists
  - 2 Cybersecurity & IT Specialists
  - 2 Attorneys
  - 1 Pricing Analyst

- Gap between appropriations, expenses, and mission.
  - Annual budget erosion of ~2% (COLAs, inflation, etc.) diminishes resources.
  - 38 FTEs staffed Agency at the end of FY 2021 – other $4 billion programs have 100+ FTEs.
- 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.
- Aging IT infrastructure.
  - While an increase in appropriations in FY 2021 enabled the Commission to correct some of the shortfalls posed by its 14-year-old digital backbone, IT modernization continues to be one of the most serious challenges for the Commission.
  - Ensuring the security of the Commission's data and systems is critical to the reliable functioning not only of the Commission, but 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 approximately 15,000 products and 4,000 services.
  - The PL is managed through the Procurement List Information Management System (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 more than 4,700 pricing actions.
- Strengthening cybersecurity.
  - Escalating and emerging cyber threats continue to pose risks to the Commission. Additional funding enabled the Commission to migrate the PLIMS platform from an unsecured antiquated environment to a platform that is currently secured by appropriate cybersecurity patches. The Commission continues to progress in modernizing and hardening its IT systems.

- Safeguarding PLIMS and the network requires continuing 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

- Required office move.
  - In 2019, GSA notified the Commission that its headquarters office lease in the Crystal City section of Arlington, Virginia, would be terminated in March 2021, with no potential for extension.
  - The Commission's FY 2020 appropriation included $1.35 million for costs associated with this move, which will consolidate offices with the OIG in the new office space and reduce the collective footprint by 24% – a decision aimed at efficiency, effectiveness, reduced costs, and stewardship of taxpayer dollars.
- GSA is responsible for facilitating the Commission's office space and move. By working closely with GSA in FY 2021, the Commission identified new office space in Washington, D.C., and is currently slated to move in during FY 2022.

Agency initiatives to address these challenges include:

- The Commission's Congressional Budget Justifications explain the benefits of investments in the Agency and the need for resources, including those to continue modernizing the Agency's aging IT infrastructure.
  - A $1 million increase in FY2021 appropriations permitted the Agency to hire 12 new FTE employees, including converting 2 contractor positions to FTEs, thereby increasing bandwidth to help address challenges.
- In light of the required office move, the Agency and OIG terminated their existing leases ahead of schedule to conserve funds.
- The COVID-19 pandemic created the conditions in which the Agency has demonstrated the overall effectiveness of telework for an extended period of time.
- The Commission staff has transitioned to a maximum telework posture to save money, improve sustainability and expand talent recruitment nationwide.

2. Performance Section

Strategic core goals for the AbilityOne Program are:

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

More information on Agency performance can be found in the March 2021 Report to the President. The next Report to the President will be issued by December 31, 2021.

2.1. Strategic Goal 1: Effective Stewardship

The Commission advances effective stewardship across the spectrum of its activities, with additional FY 2021 appropriations enabling an increased focus by the Office of the Chief Financial Officer and the Directorate of Oversight and Compliance.

The Commission's stewardship work also includes continually assessing, improving and implementing its Cooperative Agreements with the CNAs, and implementing 898 Panel recommendations.

Directorate of Oversight and Compliance

The Directorate of Oversight and Compliance 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 provides and monitors policies, procedures, technical assistance and training to Program participants; conducts compliance inspections of NPAs; reviews and addresses mandatory disclosures and complaints; performs comprehensive reviews of NPA Annual Representations and Certifications; reviews proposed additions of products and services to the Procurement List for NPA qualification and capability; and supports the Office of Inspector General and/or the Department of Justice as needed for investigations.

Following the Oversight and Compliance Directorate's FY 2020 update of Compliance policies and procedures – the Commission's most significant update of Compliance policies and procedures in a decade – new and extensive compliance FAQs were developed and posted on the Commission website in August 2021. The Oversight and Compliance Directorate has additionally continued contributing to the strategic goal of Effective Stewardship as described below.

Strategic Objective 2.1.1

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

Table 1. NPAs in Compliance with 75% Overall Direct Labor Hour Ratio Requirement

	FY 2016 Results	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results
NPAs in Compliance/ Total NPAs	521/543	496/511	469/483	461/480	402/469
Percentage of NPAs in Compliance	95.95% [4]	97.06%	97.10%	96%	86% [5]

A key AbilityOne Program compliance metric is that people who are blind or have significant disabilities must provide at least 75% of an NPA's overall direct labor hours worked during the fiscal year (referred to as the 75% Overall Direct Labor Hour Ratio Requirement).

- FY 2020 NPA compliance with this key requirement was lower than previous years due to COVID-19 pandemic impacts that included staffing shortages, supply chain issues, and employees needing to quarantine if affected by or infected with COVID-19.
- Responding to the unique circumstances presented by COVID-19, and consistent with Agency practice relating to emergency responses, the Agency expanded exceptions to its Direct Labor Ratio Requirements for FY 2020 and FY 2021.[6] These exceptions included flexibilities to allow nonprofit agencies to notify the Commission if they will operate at a ratio below 75 percent due to, or in support of, the COVID-19 emergency response or recovery period.

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.

- The number of NPAs receiving (1) an inspection by the Commission staff or (2) a regulatory assistance review by the appropriate CNA was 386 in FY 2020, and 398 in FY 2021.
- Virtual compliance visits to NPAs were conducted for most of FY 2021 due to pandemic-related travel restrictions. Concurrently, Commission staff began to accompany CNA teams conducting NPA compliance-related virtual regulatory assistance visits to evaluate the utility of such visits, observe and assess the technology and processes used to review NPA records virtually, and monitor CNA performance during these visits.
- The Commission plans to pursue a hybrid model of onsite and virtual compliance reviews, using virtual when travel is impractical, not cost-effective, or limited by pandemic-related restrictions.
- Additional funding in FY 2021 enabled the Commission to strengthen its compliance capabilities by hiring one (1) compliance specialist and two (2) vocational rehabilitation

specialists, thereby providing enough staff to resume onsite NPA compliance reviews in August 2021, with compliance teams visiting NPAs in California, Connecticut, Florida, Maryland, Texas, Virginia, and Washington.

In addition to its work on Effective Stewardship Strategic Objectives, the Commission also focused on this goal through actions described below.

New Chief Financial Officer

The Commission's first CFO joined in October 2020 and has advanced effective stewardship through actions that include:

- Established financial processes and controls for funds management, obligations and payments
- Completed Management Internal Control Program in accordance with the Federal Managers' Financial Integrity Act (FMFIA); submitted FY2021 Annual Statement of Assurance
- Responsiveness to audits: Closed 12 open financial audit recommendations during FY 2021
- Completed Agency's Risk Profile: Risk Level is Moderate
- Established Enterprise Risk Management policy and procedures
- Completed FY 2021 Risk Register (FY 2022 Risk Register intake began September 2021)
- Finalized 21 risk mitigation plans for execution

The Office of the Chief Financial Officer currently consists of the CFO and a Senior Budget Analyst.

Executive Orders

AbilityOne is advancing recent Executive Orders focused on promoting equity and opportunity.

- AbilityOne's mission directly aligns with EO 13985, "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government" and its definition of underserved communities as including people with disabilities.
- The Commission directly supports EO 14035 "Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce" and its emphasis on advancing equity for employees with disabilities. Examples include:
  - AbilityOne NPAs have identified candidates who are blind and who applied for positions at Wright-Patterson AFB, OH, where they were hired as Federal contracting specialists.
  - Among employees on the AbilityOne contract closeout services contract, NIB reports that more than 25 people have been hired by Federal agencies as government employees over the past decade.
- The Agency issued a Tribal Consultation Plan in response to the January 26, 2021 "Presidential Memorandum on Tribal Consultation and Strengthening Nation-to-Nation Relationships."

Increasing Transparency

In FY 2021, the Commission significantly increased transparency and public engagement, particularly in its quarterly public meetings.

Expanded public engagement tripled attendance at meetings during FY 2021, and significantly boosted participation by, and input from, key stakeholders including the disability community. Increases in Commission public engagement at its quarterly public meetings include:

- Shifting from in-person pre-pandemic quarterly public meetings to the current virtual meetings has increased attendance from approximately 50 attendees to a record-setting 311 registrants at the most recent virtual public meeting on Oct. 7, 2021.
- Federal Register notices of Commission quarterly public meetings pose questions for discussion, solicit written statements to the Commission and encourage verbal presentations and exchanges with Commission members.
    - Example: The Federal Register notice for the Commission quarterly public meeting held on April 8, 2021, included the following:
        - "…the Commission will hold a listening session, and requests input on the following questions:
        - "(1) How can the AbilityOne Program contribute to objectives of Executive Order 13985 on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government?"
        - "(2) What future Commission meeting topics or presentations would members of the public like to see to better understand the AbilityOne Program?"
        - "(3) How can the Commission increase transparency in its administration of the AbilityOne Program and/or its own operations?"
    - The Commission received valuable responses now used in decision-making and considered in developing agendas for future public meetings. By continuing this kind of frank and constructive exchange, the Agency can create the shared awareness and understanding that are essential to the success of the Commission and the Program.

2.2. Strategic Goal 2: Employee and Customer Satisfaction

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.

More than 80% of all AbilityOne employees work for NPAs that participate in AbilityOne's Quality Work Environment (QWE) program – a framework for continuous improvement used to improve the experience and satisfaction of all employees at AbilityOne NPAs, with an emphasis on people who are blind or have significant disabilities.

Central to QWE is the sharing of employer best practices, with emphasis on practices that increase wages, provide training, facilitate upward mobility, provide navigation to other supports and services, and increase inclusion and integration in the workplace.

A full update on QWE is available in the Commission's March 2021 Report to the President.

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.

Table 2: AbilityOne Federal Customer Satisfaction Survey Results

Federal Customer Satisfaction (SourceAmerica)		
2018	**2020**	**Change**
84%	88%	4%

The Commission aims to increase and sustain AbilityOne Federal customer satisfaction at the buyer level and among end-users of products and services. This objective also facilitates the employment mission.

SourceAmerica conducts regular surveys of Federal customers. Its most recent results appear above, in Table 2. NIB has not conducted a customer satisfaction survey for several years, in large part because it is not able to survey its largest customer, DoD, per DoD policies.

In FY 2021, the Commission continued its work with the multi-Agency members of the 898 Panel, providing the Commission with regular feedback from AbilityOne customers including DoD, the military services, and other Federal agencies.

The Commission has devoted substantial resources to supporting the Panel and implementing its recommendations. A number of recommendations have already been fully or partially implemented, while others are in progress.

One of the Panel's recommendations resulted in a Commission pilot test of competition between nonprofit agencies that produced significant savings to the U.S. Army. Following that first pilot test at Fort Bliss, TX, which concluded in 2019, a second pilot was begun at Fort Meade, MD. These pilot tests were part of the Commission's effort to develop a sustainable path to improving contractor performance while regularly achieving cost savings.

However, on May 4, 2021, in response to a bid protest by the incumbent NPA holding the contract at Fort Meade, the Court of Federal Claims issued an injunction to stop that competition pilot test. The Commission is currently considering next steps.

2.3. Strategic Goal 3: Employment Growth

Strategic Objective 2.3.1

Increase employment opportunities and quantity of work by people who are employed through the AbilityOne Program[7]

Table 3: AbilityOne Program Key Metrics

	FY 2019	FY 2020	% Change
Direct Labor Hours	48,124,215	45,983,044	-4.45%
Employees	42,684	42,200	-1.13%
Promotions	1,498	1,365	-8.88%
Wages	$679.7M	$675.9M	-0.57%
Average Hourly Wage	$14.12	$14.70	4.06%
Sales	$3,938,264,508	$3,892,613,998	-1.16%

The Commission's #1 goal for the AbilityOne Program is to increase employment for people who are blind or have significant disabilities.

As shown in Table 3, employment decreased 1.13% between FY 2019 and FY 2020. The decline in number of jobs can be attributed primarily to:

- COVID-19 pandemic, which caused significant disruption in manufacturing and service delivery schedules, and drastically impacted demand for certain supplies and services.
  - To continually assess the impact of COVID-19 on the AbilityOne Program, the Commission closely monitors and engages Federal customers, CNAs and NPAs regarding business decisions related to COVID-19. Whenever possible, the Commission adjusts and adapts to COVID-19 impacts on the AbilityOne Program: e.g., by issuing policy exceptions such as "AbilityOne Flexibilities Related to the Coronavirus (COVID-19) Emergency and Recovery for the Duration of Fiscal Year 2021."
- VA's "Rule of Two" contracting preference program, which prioritizes veteran-owned and service-disabled veteran-owned companies over AbilityOne NPAs, resulting in the loss of AbilityOne contracts and several hundred jobs.
- 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.

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). PL additions are the lifeblood of employment growth because they translate into direct labor hours in subsequent years. (A list of PL additions for FY 2021 is an appendix to this report.)

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. Ensuring that AbilityOne products are purchased whenever they are required helps to sustain the manufacturing and packaging-related jobs in the AbilityOne Program.

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.

The Commission's government members are senior leaders within Federal agencies in areas such as procurement, finance, logistics, or vocational rehabilitation (see Section 1.4.2, Commission Members). As such, they are in prominent positions to communicate within their agencies about the benefits of the AbilityOne Program and to encourage its support. The Commission's private citizen members are well respected in the broader disability community and perform advocacy to facilitate communication opportunities for stakeholders including AbilityOne participants and public policy thought leaders.

On a related note, the OFPP memorandum on "Increasing the Participation of Americans with Disabilities in Federal Contracting" directed CFO Act agencies to designate AbilityOne Representatives (ABORs), who are contracting officers who act as liaisons and advocates for AbilityOne.

In addition to its work on Employment Growth Strategic Objectives, the Commission focused on this goal as described below.

Office of Federal Procurement Policy Memorandum "Increasing the Participation of Americans with Disabilities in Federal Contracting"

The Commission is pursuing unprecedented opportunities to potentially create tens of thousands of jobs for years to come for people who are blind or have significant disabilities by implementing guidance in the OFPP memorandum on "Increasing the Participation of Americans with Disabilities in Federal Contracting."

- Memorandum encouraged CFO Act agencies to pledge to devote at least 1% of contract spend to AbilityOne products and services in FY 2021, with a further goal of increasing spend to 1.5% in FY 2022. As of September 2021, 12 agencies have made pledges.
- Anticipated Program growth as the result of Federal agency pledges to increase spending on AbilityOne products and services will require adequate compliance resources to ensure appropriate oversight.
- Rapid expansion of the AbilityOne Representative (ABOR) program due to the memorandum is reflected in Federal agencies appointing 18 ABORs (as of October 2021) to serve as advocates for AbilityOne. The Commission has appointed a program manager to handle the increased engagement with ABORs.
- Educational sessions about AbilityOne capabilities and utilization for Federal agencies – USDA, Commerce, Education, Interior, Treasury, and NASA have all participated in training conducted by the Commission and CNAs.

Proposed Rule: "Prohibition on the Payment of Subminimum Wages under 14(c) Certificates as a Qualification for Participation as a Nonprofit Agency under the AbilityOne Program"

The Commission's Spring 2021 Regulatory Agenda indicated that the Commission planned to issue a proposed rule to prohibit payment of subminimum wages on contracts within the AbilityOne Program.

Based on this FY 2021 work, the Commission announced on October 7, 2021, that it would begin a formal rulemaking process to that effect.

The proposed rule "Prohibition on the Payment of Subminimum Wages under 14(c) Certificates as a Qualification for Participation as a Nonprofit Agency under the AbilityOne Program" was published in the Federal Register on October 12, 2021.

The publication of the proposed rule is a significant step toward addressing a longstanding area of concern within the disability community and would better align AbilityOne with modern disability policy.

Cooperative Agreements

The Commission's Cooperative Agreements[8] with the CNAs address the employment growth goal through a range of annual and quarterly reporting requirements including:

- Annual employment growth planning
- Targets for existing and new lines of business
- Promoting employees in upwardly mobile jobs in indirect labor, supervision, management, or competitive employment positions (including those placed and/or promoted outside of the Program)
- Barriers to employment growth

- Pipeline report that shows customer procurements for the succeeding 12 months
- Regular meetings between the Commission and CNAs, as well as daily contact between the respective Program Management Offices, ensure a continuing focus on employment growth as a goal.

Commission and Rehabilitation Services Administration

On January 19, 2021, the Commission and the Rehabilitation Services Administration (RSA) of the Department of Education executed a Memorandum of Understanding through which the agencies agree to work together to increase communication and understanding regarding which opportunities are appropriate for persons who are blind to operate vending facilities under the Randolph-Sheppard Act, and which are appropriate for placement on the AbilityOne Procurement List under the JWOD Act.

In addition, the Commission and RSA agreed to work together to expand entrepreneurial and other employment-related opportunities for individuals who are blind or have significant disabilities.

American Foundation for the Blind Completes Initial Phase of Cooperative Agreement – Status as CNA ended December 31, 2020

In December 2020, American Foundation for the Blind successfully completed the initial phase of its Cooperative Agreement with the Commission – a research and studies phase designed to identify innovative business models and practices that increase employment opportunities for blind individuals in knowledge-based careers.

- Following this period of productive partnership and completion of its research and deliverables, AFB decided not to pursue the second phase of the Cooperative Agreement with the Commission, thereby ending AFB's status as an AbilityOne Central Nonprofit Agency (CNA) effective December 31, 2020.
- AFB's successful performance in the research and studies phase expanded the potential for more knowledge-based jobs in the AbilityOne Program. AFB significantly advanced the Commission's understanding of technology-related and other emerging career fields that present opportunities for people who are blind. The Commission will use the knowledge gained to continue to explore additional opportunities to create more jobs in the AbilityOne Program.

AFB was designated as an AbilityOne Central Nonprofit Agency on July 26, 2018, to provide the Program with an emphasis on competitive, knowledge-based opportunities at a time when changes in employment trends point to a new direction for AbilityOne jobs. AFB's research and studies provided new insights and more detailed information about developing career opportunities in sectors such as information technology, financial management, and human resources, presenting growth opportunities for the AbilityOne Program. This outcome supports the Commission's longstanding goal of creating more jobs, innovation and competition within the AbilityOne Program.

Recognizing that the current business environment evolves at a rapid pace, the three-phase Cooperative Agreement between the Commission and AFB was deliberately designed to provide both parties with the flexibility to end the agreement at any time.

AFB informed the Commission that its decision to exit the Cooperative Agreement at the end of Phase 1 (the initial "Research and Studies" phase) was based on a reassessment of AFB's strategic goals in the current business environment.

2.4. Strategic Goal 4: Business Excellence

The Commission's focus on Business Excellence includes its work to implement the 898 Panel's recommendations, several of which deal with business processes. For more on the 898 Panel, see Section 1.8, Forward-Looking Information.

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.

On a related note, a new Procurement List User Interface Tool is currently in development: This new tool provides an enhanced customer interface that addresses the priority mission area of the Procurement List. Launching the tool is part of the Commission's work to improve customer experience.

- This web-based tool significantly improves the user experience by simplifying the work and communication of acquisition teams in preparing acquisition strategies and plans, and the contracts needed to support them.
- New capabilities focus on providing the "who makes what" information for commonly purchased items.

- Searchable information now includes the item, item descriptions, National Stock Numbers (NSNs), unit of issue, sizes, estimated cost, the prime contractor, manufacturer, the specific percentage of the total Government requirement that is on the Procurement List, and points of contact to obtain more detailed information including availability and delivery schedule.
- This new tool will provide more information about user interface patterns and data that will be used to refine the tool's capabilities and improve the customer experience.

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 the Business Excellence 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 2021, Commission actions on fair market pricing policy and procedures included:

- Hiring Price Analyst: The Agency hired an additional Price Analyst to increase capability and capacity to help process the Agency's more than 4,000 annual pricing actions.
- New policies on calculating Program Fees in the price of AbilityOne contracts:[9] The Agency has issued policies (effective January 2022) related to calculating Program Fees in the price of AbilityOne contracts.
- The Commission's Fall 2021 Regulatory Agenda identified a proposed amendment to the Commission's regulation that broadens the parameters for the review and negotiation of prices in the AbilityOne Program.

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 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 FY 2021, the Commission confirmed that Program Fee Ceilings of 3.75% for both National Industries for the Blind (NIB) and SourceAmerica remain in effect due to the impact of the COVID-19 pandemic.

The Program Fee Ceilings apply between April 1, 2021, and September 30, 2023, 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 U.S. AbilityOne Commission.

Apart from the new policies on calculating Program Fees in the price of AbilityOne contracts, the Commission is finalizing additional policies to provide greater clarity about the establishment and oversight of AbilityOne Program Fees. Prior to 2016, these fees were referred to as Central Nonprofit Agency (CNA) Fees.

3. Financial Section

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

355 E street SW
Washington, DC 20024-3243

November 15, 2021

MEMORANDUM

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

Kimberly M. Zeich
Executive Director (Acting)

FROM: Stefania Pozzi Porter
Inspector General (Acting)

SUBJECT: Audit of the U.S. AbilityOne Commission's Financial Statements for Fiscal Year 2021, Report No. 2021-01

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, 2021, 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 the Office of Management and Budget bulletin, Audit Requirements for Federal Financial Statements.

Results of the Independent Audit

Allmond & Company found:

- The financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the fiscal year then ended in accordance with generally accepted accounting principles.
- One material weakness (Finding 2021-01) and four significant deficiencies (Findings 2021-02, 2021-03, 2021-04 and 2021-05) in internal control over financial reporting, and

- One reportable noncompliance with applicable provisions of laws, regulations, and contracts tested (Finding 2021-06).

While the report includes one material weakness and four significant deficiencies related to the Commission's internal control over financial reporting, and one finding related to noncompliance, the objective of Allmond & Company was not to provide an opinion on internal control over financial reporting or compliance with laws, regulations, contracts, and grant agreements applicable to the Commission.

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 Rosario A. Torres, CIA, CGAP, Assistant Inspector General for Auditing at (703) 772-9054 or rtorres@oig.abilityone.gov.

Enclosure: *Independent Auditor's Report September 30, 2021*

U.S. AbilityOne Commission
Fiscal Year 2021 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

U.S. ABILITYONE COMMISSION
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2021

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

A/C
ALLMOND & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
7501 FORBES BOULEVARD, SUITE 200
LANHAM, MARYLAND 20706
(301) 918-8200
FACSIMILE (301) 918-8201

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, 2021 and 2020, 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 2021 and 2020 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. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 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, 2021 and 2020, 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.

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, Performance Section*, and *Other Information* section of this report be 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, 2021, 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. 21-04. 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 deficiency described in the accompanying *Exhibit I Findings and Recommendations* to be a material weakness (2021-01).

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 (2021-02, 2021-03, 2021-04 and 2021-05).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2021 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. 21-04. 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 an instance of noncompliance or other matter that is required to be reported herein under Government Auditing Standards or OMB Bulletin No. 21-04. This matter is further discussed in *Exhibit III Finding Recommendation* (2021-06) of this report.

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, Maryland
November 15, 2021

Corrections for Known Errors and Misstatements Were Not Identified or Recorded in the General Ledger (2021-01)

CONDITION

During our review of the Commission's fiscal year (FY) 2021 beginning balances and general ledger activity, we noted that entries needed to correct prior year transactions and balances were not recorded or were recorded incorrectly in the agency's general ledger, resulting in material and pervasive misstatements of the current year (FY 2021) balances reported in its financial statements, including:

- A $1,186,741 correction relating to the Accounts Payable accrual from FY 2020 that was needed to correct the beginning and ending balances of FY 2021 Operating Costs, Unexpended Appropriations, and Expended Appropriations was not recorded.
- A $152,311 correction from FY 2019 that was needed only for FY 2019 and FY 2020 reporting was recorded during FY 2021 in error.
- A $41,633 correction for the effects of unrecorded FY 2020 earned and accrued revenue was not recorded, resulting in double-counting of the revenue recognized during FY 2021 and impact to the related account balances.
- $55,234 in Equipment (55% of the total account balance) that was assigned to the FY 2015 Treasury Account Symbol (TAS) was not transferred to an active or cumulative TAS before the FY 2015 TAS was canceled, causing these assets and their related accumulated depreciation to be eliminated from the agency's general ledger.

CRITERIA

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, "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 does not appear to have policies and procedures in place to review on-top adjustments, worksheet adjustments, and other supporting documentation in order to determine when additional action is needed, such as the recording of current year corrections and the reclassification of account balances in its general ledger
- The Commission does not have a control procedure in place to develop expectations regarding the effects of prior year corrections so any that differences between the actual and expected results of corrections can be identified and addressed.
- The Commission's review of the prior and current year financial statements, trial balances, and variance analyses are not performed at any appropriate level of precision to identify errors and omissions.

EFFECT

- There is an increased risk of material and pervasive misstatements of the balances reported in the Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the related financial statement footnotes when prior year corrections are not recorded, are recorded when not needed, when the appropriate general ledger accounts required for error corrections are not used.
- We identified the following known misstatements (net) relating to the conditions listed above, as of August 31, 2021:

Balance Sheet:

- o $55,234 understatement of Equipment and ($55,234) understatement of Accumulated Depreciation on Equipment;
- o $14,925 overstatement of Contingent Liabilities, Total Liabilities with the Public, and Cumulative Results of Operations.

Statement of Net Cost:

- o $1,212,667 understatement of Total Gross Program Costs;
- o $41,633 overstatement of Earned Revenue;
- o $1,254,301 understatement of Net Program Costs, and Net Cost of Operations.

Statement of Changes in Net Position:

- o $1,380,685 understatement of Total Adjustments and Beginning Balances, as Adjusted, of Unexpended Appropriations;
- o ($1,380,685) understatement of Total Appropriations Used (Unexpended Appropriations) and Total Budgetary Financing Sources;
- o $137,386 overstatement of Total Adjustments and Beginning Balances, as Adjusted, of Cumulative Results of Operations;
- o $1,380,586 understatement of Total Appropriations Used (Expended Appropriations) and Total Financing Sources;
- o $1,254,301 understatement of Net Cost of Operations;

- $152,311 understatement of Net Change;
- $14,925 overstatement of the Cumulative Results of Operations

RECOMMENDATION

We recommend that Commission management should:

- Develop a procedure to identify and track all on-top adjustments, worksheet adjustments, and other corrections for prior year transactions that were processed during the prior fiscal year, evaluate their effects on current year balances and record them timely (during the first quarter of the fiscal year) in the general ledger.
- Review the posting logic that was applied within Pegasys for each correcting entry and record reclassification journal entries in the general ledger using the appropriate general ledger accounts for the correction of errors, in accordance with generally accepted accounting principles.
- Develop a procedure to validate the agency's beginning balances that are rolled forward from the prior year to ensure that valid balances are not eliminated either before or during the closing process.

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.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and Federal Reporting Requirements (2021-02)

CONDITION

The Commission receives financial management support services from another federal government agency. Under the service level agreement between the parties, the other agency is required to prepare and submit the Commission's financial statements and notes in accordance with generally accepted accounting principles (GAAP) and Federal government financial reporting requirements; however, it is the Commission's responsibility to review and approve all work products produced by the service provider to ensure that the Commission's financial statements, footnotes, and other required submissions are compliant with GAAP and other financial reporting requirements.

During our review of the Commission's financial statements and footnotes for the interim reporting period ended June 30, 2021, we identified the following conditions:

- The Commission did not use the fiscal year (FY) 2021 U.S. Department of Treasury financial statement crosswalk for the Balance Sheet when preparing the June 30, 2021 financial statements and footnotes, resulting in material differences in the line item balances reported for Intragovernmental and With the Public Liabilities on the Commission's Balance Sheet.
- Fund Balance with Treasury (FBWT) balances were not separated into unobligated (available, unavailable), obligated balances not yet disbursed, and non-budgetary balances and reported in an additional Status of FBWT section in Note 2 – Fund Balance with Treasury.
- The legal matters recorded in the general ledger and/or reported for contingent liabilities in the interim financial statements and footnotes did not agree to the interim legal representation letter provided to the auditors in number, classification, or dollar amount. In addition, in Note 8 – Commitments and Contingencies, the possible range of loss was classified as reasonably possible or probable, rather than as a dollar amount, and the likelihood of loss (as probable, reasonably possible, or remote) was either not provided or was inconsistent with other supporting information provided to the auditors.
- The $99,860 and ($70,535) balances of downward and upward adjustments of prior year undelivered orders, respectively, were omitted in error from the total and classified amounts of Undelivered Orders reported in Note 10 – Undelivered Orders at the End of the Period.
- Balances and line items reported in Note 11 – Explanation of Differences Between the SBR and the Budget of the U.S. Government were not accurately reported, as follows:

  1) The $945,000 difference attributed to Unobligated Balance Brought Forward, Oct 1 includes $250,000 spending authority from offsetting collections. We believe the $250,000 difference included in the total should appear in a separate line.

  2) The $279,000 difference under New Obligations and Upward Adjustments is not due to changes in Unobligated Balances Brought Forward; it is due to rounding and should be reported separately.

  3) The $231,000 difference for Net Outlays is presented as a negative amount in error, creating a mathematical error with the total. In addition, the difference is also due to rounding rather than to changes in Unobligated Balances Brought Forward.

- For consistency and comparability, the balances used to prepare Note 12 – Reconciliation of Net Cost to Outlays should have been the June 30, 2021 interim and September 30, 2020 audited Balance Sheet and Statements of Net Cost balances that included all on-top and worksheet adjustments rather than the uncorrected trial balance. This resulted in material errors throughout the reconciliation.

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."

Treasury Financial Manual (TFM) Bulletin No, 2021-17, dated June 9, 2021, applies to all federal government departments, agencies, and others concerned. Item 5, Part 1, Section V: Crosswalks to the Standard External Reports for FY 2021 GTAS Reporting of this Bulletin provides the FY 2021 reporting requirements for USSGL accounts that crosswalk to the following reports: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Custodial Activity, Statement of Budgetary Resources, and SF 133: Report on Budget Execution and Budgetary Resources & Schedule P Budget Program and Financing Schedule."

Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, Section I.3, 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 III of this Circular."

OMB Circular A-136, Section I.1. Guide to the Circular states, "Throughout the Circular, the terms "must" and "will" denote a requirement that management must comply with in all cases; the term "should" denotes a presumptively mandatory requirement that applies except in circumstances where the requirement is not relevant for the agency; and "may" and "could" denote best practices that may be adopted at the discretion of management."

OMB Circular A-136, Section II.3.8.3. *Status of Fund Balance*, states, "Disclose the total of the entity's FBWT, as reflected in the entity's general ledger and represented by unobligated and obligated balances."
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."

OMB Circular A-136, Section II.3.2.4. Liabilities. Commitments and Contingencies, states, "A contingent liability should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. Contingencies that do not meet any of the conditions for liability recognition, but for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred, should be disclosed."

OMB Circular A-136, Section II.3.8.28. Undelivered Orders at the End of the Period, states, "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."

OMB Circular A-136, Section II.3.8.31. Explanation of Differences Between the SBR and the Budget the U.S. Government, states, "Agencies should explain material differences that exist between: 1. The budgetary resources, new obligation, upward adjustments (total), and net outlay amounts from the prior year and the actual amounts from "Detailed Budget Estimates by Agency" found in the *Appendix* of the Budget." (Note: For FY 2021, this would apply to the FY 2020 SBR and FY 2020 amounts in the FY 2022 Budget)."

CAUSE

- The Commission's corrective action plans for prior year findings have either not been fully implemented or internal controls are not properly designed and implemented to prevent or to detect and correct deficiencies in financial reporting, as follows:
    - Incorrect or outdated guidance, such as superseded Treasury crosswalks, was used to prepare the financial statements and footnotes;
    - Financial reporting requirements in OMB Circular A-136 that should be complied with were interpreted as optional rather than presumptively mandatory, as defined by the Circular;
    - Supporting schedules and worksheets were not agreed to the trial balance during the review of the financial statements and footnotes;
    - Information regarding contingent liabilities relating to legal matters is not provided to the preparer and reviewer of the financial statements and footnotes timely (i.e., prior to the end of the reporting period) so that entries can be recorded when needed and the footnote can be accurately prepared;
    - Information regarding contingent liabilities may not be clear, concise, and accurate and/or the completed footnote is not agreed to the legal representation letter when preparing the footnote;
    - Commission management's performance or review of variance analyses are not designed or applied at an appropriate level of precision to identify errors and omissions;
    - Procedures to agree the financial statements and footnotes to the trial balance did not identify errors and omissions of account balances;
    - All variances in the Explanation of Differences Between the SBR and the Budget of the U.S. Government were attributed either to rounding or a single difference, rather than determining and reporting the true nature of the difference for each relationship; and
    - Uncorrected/unadjusted trial balances were used to prepare financial statements and footnotes.

EFFECT

- The Commission did not fulfill the interim financial reporting requirements, as required by OMB Circular A-136 for the third quarter of FY 2021.
- Benefit Program Contributions Payable was understated and Other Intragovernmental Liabilities was overstated by $27,995 on the Balance Sheet;
- Federal Employee and Veteran Benefits Payable was understated and Other Liabilities With the Public was overstated by $595,316 on the Balance Sheet;
- The Fund Balance with Treasury (FBWT) note disclosure was not compliant with OMB Circular A-136 federal reporting requirements;
- Contingent Liabilities were overstated by $14,925, resulting in the following impact to the financial statements as of 06/30/21:
  - Other Liabilities, Total Liabilities, Cumulative Results of Operations and Total Net Position were overstated by +/- $14,925 on the Balance Sheet;
  - Cumulative Results of Operations and Net Position were overstated by $14,925 on the Statement of Changes in Net Position.
- The amounts reported in Note 10 – Undelivered Orders at the End of the Period were understated by $29,324;
- Explanations provided in Note 11 – Explanation of Differences Between the SBR and the Budget of the U.S. Government were not complete or accurate and the reconciliation was not mathematically accurate;
- If the correct balances had been used for Note 12 – Reconciliation of Net Cost to Outlays, differences that required corrections would have been identified and allowed the Commission the opportunity to detect and correct them. Use of the unadjusted 09/30/2020 balances (prior to on-top and worksheet entries) resulted in the following errors:
  - $1,254,301 understatement of Total Net Cost
  - ($1,254,301) total differences in the Increase/Decrease of Assets and Liabilities reported in the reconciliation.

RECOMMENDATION

We recommend that Commission management:

- Verify that current Treasury and OMB financial reporting requirements and other authoritative guidance is obtained and followed during the preparation and review of the financial statements and footnotes, including all mandatory and presumptively mandatory provisions, as defined in those sources;
- Reconcile the trial balance to subsidiary or supplementary sources, such as the capitalized expenditure and accrued expense worksheets to the general ledger to validate the balances reported in the trial balance;
- Increase the precision of existing checklists and variance analysis tools so that changes from known and expected results can be detected and corrected;

- Request and obtain the legal representation letter from the Office of the General Counsel (OGC) or consult with the OGC prior to the close of the reporting period so that any required entries can be recorded and the Commitment and Contingencies footnote can be prepared and reviewed timely.
- Verify that the information included in the Commitment and Contingencies footnote is clear, concise, accurate, complete, and properly classified according to generally accepted accounting principles and federal reporting requirements and that all contingencies reported in the footnote exist as of the reporting date.

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.

AUDITORS’ RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Improvements Needed in Internal Control Relating to Property Additions, Disposals, and the Recognition of Construction in Progress (2021-03)

CONDITION

Internal controls relating to Property, Plant, and Equipment (PPE) are not implemented to prevent the misstatement of assets, operating expenses, and other balances relating to capitalized assets.

Specifically, we noted that the Commission did not:

- Record the required entries to remove the balances of its leasehold improvements and related accumulated amortization for the leases that terminated in December 2020 for its Arlington, VA office and in March 2021 for the Alexandria, VA location from the capitalized property balances in accordance with generally accepted accounting principles;
- Record the construction in progress, accrued liability, and use of appropriations for leasehold improvements under construction; and
- Identify that depreciation for a capitalized asset acquired during FY 2021 was not being recorded.

CRITERIA

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, Section 38, states, "In the period of disposal, retirement, or removal from service, general PP&E shall be removed from the asset accounts along with associated accumulated depreciation depreciation/amortization. Any difference between the book value of the PP&E and amounts realized shall be recognized as a gain or a loss in the period that the general PP&E is disposed of, retired, or removed from service."

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, Section 34 states, "PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E." Footnote 40 of this section states, "For PP&E acquired by a contractor on behalf of the entity (e.g., the entity will ultimately hold title to the PP&E), PP&E shall also be recognized upon delivery or constructive delivery whether to the contractor for use in performing contract services or to the entity.

U.S. AbilityOne Commission Capitalization Policy, dated 04/20/2017, states, "The costs of any leasehold improvements financed with U.S. AbilityOne Commission appropriated funds will be capitalized if the total cost exceeds $25,000. Construction costs will be accumulated as construction in progress" until completion and then transferred and capitalized as "leasehold improvements" over 7 years or the remainder of the lease, whichever is less."

SFFAS No. 6, *Accounting for Property, Plant, and Equipment,* Section 35, Expense Recognition, states, "Depreciation expense is calculated through the systematic and rational allocation of the cost of general PP&E, less its estimated salvage/residual value, over the estimated useful life of the general PP&E. Depreciation expense shall be recognized on all general PP&E, except land and land rights of unlimited duration."

U.S. AbilityOne Commission Capitalization Policy, dated 04/20/2017, states, "The capitalization threshold will be established at $10,000 for assets with a useful life of 2 or more years…..Depreciation on these assets will be calculated using the straight-line method with no salvage value. Depreciation begins the month in which the asset is placed in service."

CAUSE

We noted the following causes for the conditions identified above:

- The Commission was either not aware of the generally accepted accounting principles or does not have control procedures in place to remove leasehold improvements upon the termination of a lease.
- The Commission does not have control procedures in place to monitor the status and related costs for construction in progress in order to recognize assets and accrued liabilities in accordance with generally accepted accounting principles.
- Property was not depreciated because the date placed into service was not entered in the capitalized property module.

EFFECT

- The failure to initiate asset disposal procedures and remove leasehold improvements for expired leases from the capitalized asset listing resulted in a $258,074 overstatement of the capitalized cost and related accumulated depreciation/amortization reported for these items in the general ledger and the footnotes to the financial statements.
- The failure to accrue a liability and report expenditures relating to new leasehold improvements resulted in the understatement of Construction in Progress, Accounts Payable, Delivered Orders-Unpaid, Unexpended Appropriations-Used, and Expended Appropriations-Used balances and the overstatement of Undelivered Orders-Unpaid, impacting the Balance Sheet, Statement of Changes in Net Position, and footnotes in the amount of $161,441.
- The failure to identify that capitalized assets subject to depreciation were not being depreciated results in an understatement of operating expense in the Statement of Net Cost and an overstatement of General Property, Plant and Equipment (net) on the Balance Sheet. Depreciation for this asset during FY 2021 was $7,945.

RECOMMENDATION

We recommend that:

- The Commission should correct and then regularly update a detailed listing of the assets that are reported in the agency's trial balance and financial statements to enable the agency to verify the capitalized property balances reported in the agency's financial statements are correct and are reported in accordance with generally accepted accounting principles.
- The Commission should regularly assess all capitalized property for assets that are no longer in service or to which the agency no longer has legal rights and ensure that these items are removed timely and proactively by Commission management.
- The Commission should accumulate all expenditures for the leasehold improvements for its new lease, report them as construction in progress, and adjust the balance at the end of each reporting period to reflect the work completed until the project is completed.

- The Commission should ensure that the date of service is entered into the Pegasys property module so that depreciation is properly calculated and recorded for all capitalized assets.
- The Commission should update its financial reporting policies and procedures to include the recording of new capitalized purchases, disposals of capitalized property, and depreciation/ amortization in accordance with generally accepted accounting principles.

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.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Year-End Accrued Liabilities Not Properly Estimated or Accurately Recorded (2021-04)

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 balance of Accounts Payable as of September 30, 2021, we identified that the Commission did not record an Accounts Payable accrual at interim or year-end.

To determine the amount that the accrued liability should have been, we examined supporting documentation for 33 non-payroll disbursement transactions which were recorded between 10/01/2021 and 10/31/2021, totaling $385,375.16. We identified 11 transactions, totaling $207,446.31, for which goods and/or services were received prior to September 30, 2021. As such, the transactions should have been included in a year-end Accounts Payable balance.

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 measurable 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."

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's control procedures to estimate accounts payable to be accrued at year-end in accordance with generally accepted accounting principles were not operating effectively during the period ended 09/30/2021.
- The Commission did not have written policies and procedures in place during FY 2021 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 responsibilities of Commission management relating to year-end accruals and other financial reporting functions versus those performed by the service organization were not clearly understood.
- The process by which accrual entries were to be recorded (i.e., through manual or automated entries) was not discussed between Commission management and the service organization because Commission management believed that the service organization would be performing this activity at year-end.
- Information regarding the status of open obligations and goods and services received through September 30, 2021 was not obtained from all organizational units within the reporting entity.

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 the 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:

- Accounts Payable, Operating Expenses/Program Costs, Delivered Orders-Unpaid, Expended Appropriations, and Unexpended Appropriations-Used were understated by $207,446.31 for the fiscal year ended 09/30/2021.
- Undelivered Orders – Obligated, Unpaid was overstated by $207,446.31.
- Material misstatement of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources and the related footnotes.
- Errors in the Governmentwide Treasury Account Symbol (GTAS) SF 133: Report on Budget Execution and Budgetary Resources.

RECOMMENDATION

We recommend that:

- Commission management should 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.
- Commission management should independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts.
- 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 develop written policies and procedures that define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions.
- The Chief Financial Officer or other personnel knowledgeable in accounting and finance should independently verify the amounts recorded for accrued liabilities and examine the entries that the service provider has recorded in its general ledger to ensure it agrees with the information the Commission has provided.
- Commission management should enhance its existing policies and procedures to require a more thorough review of its year-end accounting entries to ensure that all required information pertaining to accrued liabilities has been received from all sources and has been recorded in the general ledger in accordance with generally accepted accounting principles.

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.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Employee Benefits Election Forms Were Not Maintained in eOPF per OPM Requirements (2021-05)

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 68 payroll transactions (32 employees) selected from the population of all employees paid during the period of October 1, 2020 through June 30, 2021, we identified the following testwork exceptions:

- Eighteen (18) instances (8 employees) in which the Commission was not able to provide the Thrift Savings Plan (TSP) election forms for the pay periods selected.
- Three (3) instances (2 employees) in which the Commission was not able to provide the Federal Employees Health Benefits (FEHB) election forms for the pay periods selected.
- Three (3) instances (1 employee) in which the Commission was not able to provide the Federal Employees' Group Life Insurance (FEGLI) Program election form for the pay period selected.

During the period of July 1, 2021 through September 30, 2021, we identified the following additional exceptions:

- Two (2) additional instances (2 additional employees) in which the Commission was not able to provide the Federal Employees Health Benefits (FEHB) election forms for the pay periods selected.

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.
>
> (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 its personnel shared service provider do not have adequate 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 do not have control adequate 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, whether using the designated forms or through an electronic employee portal.
- The corrective action plan that addresses the prior year recommendations for this finding and changes to the Commission's internal control activities were not properly designed and implemented to address the control objectives.

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.
- The full effects of the conditions listed above will be assessed when the year-end testing procedures have been completed. At interim, the potential effects of this issue include:
    - Potential non-compliance with 5 U.S. Code Chapter 84, Subchapter III – Thrift Savings Plan, 5 U.S. Code Chapter 89 – Health Insurance, and Title 5 of the Code of Federal Regulations, part 870 – Federal Employees' Group Life Insurance Program.
    - Potential misstatements of the financial statements and footnotes relating to payroll expenses and liabilities

- Incorrect health, life, and retirement benefits information in the eOPF can negatively affect employees in the event of a loss or claim and cause incorrect amounts to be withheld from their pay.

RECOMMENDATION

We recommend that:

- The Commission should perform 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 obtain 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.
- At the end of each pay period or at least monthly, the Commission should review reports of employee benefits election changes made through the employee self-service portal and retain the documentation for all changes in the employees' e-OPF.

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 held discussions with Auditor during initial audit sampling related to obtaining election benefit changes through the source system of record (HRLINKS) for which the elections would occur by an employee subsequent to initial Newcomer Employee Orientation (NEO). It is industry practice that systems maintain audit logs for processing of transactions. Therefore, the Commission expectation was HRLINKS would have prospective changes. The initial audit log included relevant data for samples requested. However, during the Auditor's follow-up sampling, the challenge for the Commission was ensuring quality examination of the source data extracted was not modified or updated by the IT management or business owner of HRLINKS (i.e., data fields should be unmodified in multiple reports pulled and interfacing system data should be provided as a separate source of record and not manually updated into HRLINKS audit log report requested).

New employee initial benefit election forms submitted through the NEO process can be provided. Incumbent employee benefit forms can be provided as well, but the manual process to obtain an employee benefit change document would be inherently inefficient and duplicative when employees use HRLINKS to change benefits. The Commission will evaluate during corrective action planning effort a quality examination process that involves manual documents for all employees coupled with the option to use a standard, reliable audit log with benefit election changes.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

ADA Violations Relating to the Obligation of Expired Funds (2021-06)

CONDITION:

The Commission verified that violations of the Antideficiency Act (ADA) occurred during fiscal years (FYs) 2019 and 2020, as follows:

FY 2019**:**

- Total obligations of $1,158, 704.35 were impermissibly charged to the Commission's FY 2018 and FY 2017 Treasury Account Symbols (TAS) that 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.

FY 2020:

- Three new obligations totaling $40,885.52 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.

To date, these violations have not been formally reported to the President and Congress.

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.

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."

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 years (FY) 2019-2020 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 have been 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. 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 that do not agree with source documentation (i.e., purchase orders, contract modifications, vendor invoices, and payment transfers).

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 and 2020.

RECOMMENDATION:

We recommend that management:

- Fulfill the requirements of 31 USC §1517(b) by reporting the FY 2019 and FY 2020 violations to the President, Congress, and the Comptroller General of the United States.

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 initial ADA report filing to OMB, in accordance with OMB Circular A-11 Sec 145, was submitted in March 2021 to complete OMB's Clearance process. OMB's initial review conducted by the OMB Examiner was submitted to the Commission with edits and the Commission resubmitted the report in August 2021. Next, the Commission's report is expected to work through OMB's Budget Review Division and General Counsel offices before OMB Clearance is provided for the Commission to finalize the report. The Commission has taken all steps within its ability to advance the required reports. The Commission will continue to monitor the status and take all proactive and timely steps to conclude the reporting.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

The following table provides the fiscal year (FY) 2021 status of all recommendations included in the Independent Auditors' Report on the Commission's FY 2020 Financial Statements (November 13, 2020).

Prior Year Finding	Prior Year Recommendation	FY 2021 Status
Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and OMB Circular A-136 (2019-01, 2020-01)	**Recommendations:** 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. Specifically, we recommended that management:	
	1. 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.	Open
	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.	Open
	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.	Closed
	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.	Open
	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	Open

	amounts, as appropriate.	
	6. 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.	Closed
	7. 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.	Closed
	8. 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.	Closed
	9. Continue to implement management's corrective action plan, including the filling of vacant positions.	Open
	10. 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.	Closed
Year-End Accrued Liabilities Not Estimated or Accurately Recorded (2019-02, 2020-02)	Improve controls relating to the estimation and recording of accrued liabilities. Specifically, we recommended that:	
	1. Commission management should 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;	Open
	2. Commission management should independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts;	Open
	3. 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	Open

	that are required by generally accepted accounting principles; 4. Commission management should develop written policies and procedures that define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions. 5. 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.	Open Open
Employee Benefits Election Forms Not Maintained in eOPF per OPM Requirements (2019-04, 2020-03)	Improve internal controls over the retention and maintenance of employees' personnel records. Specifically, we recommended that management: 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. 2. 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. 3. The Commission should continue to implement the actions identified in its corrective action plan relating to employee payroll and benefits, dated September 30, 2020.	Open Open Open
Management Assurance Statement was Not Prepared (2019-05)	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. Specifically, we recommended that management: 1. Develop and document a process to evaluate its internal controls	Closed

	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.	
Potential ADA Violation Relating to the Obligation of Expired Funds (2019-06, 2020-06)	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. Specifically, we recommended that management:	
	1. Ensure that new obligations are recorded only within the current fiscal year, as required by law.	Closed
	2. 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).	Closed
	3. Ensure that all obligations recorded to the general ledger are properly supported (i.e., the obligated amount recorded agrees to the obligating document).	Closed
	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.	Closed
	5. 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.	Open
	6. Continue to implement the measures established in the Commission's corrective action plan relating to budgetary controls, dated September 30, 2020.	Closed
Lack of Sufficient Controls Over Financial Reporting of	Develop and document sufficient control procedures to ensure the reliability of Undelivered Orders and related budgetary account balances. Specifically, we recommended that:	

Balances Relating to Upward and Downward Adjustments of Prior Year Obligations (2020-04)	1. 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.	Open
	2. Commission management should work with its service provider to design and implement policies and procedures that 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.	Open
Improvements Needed in the Recording of Activity Relating to Reimbursable Activity and the Collection or Reimbursable Payments (2020-05)	Improve internal controls over recording and collection activities relating to reimbursable agreements. Specifically, we recommended that:	
	1. 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.	Closed
	2. 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.	Open
	3. 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 that should be also be recorded as accrued accounts.	Open
	4. 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	Open

	that are required by generally accepted accounting principles. 5. Commission management should record the proposed adjusting entries in order to correct the errors identified.	Closed

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, 2021 and 2020

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

BALANCE SHEET

As of September 30, 2021 and 2020

		2021	2020
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	$ 3,887,216.45	$ 2,584,294.51
Accounts Receivable [, net]	(Note 3)		124,900.02
Advances and Prepayments		151,214.79	25,926.64
Total Intragovernmental		$ 4,038,431.24	$ 2,735,121.17
Other than Intragovernmental:			
Accounts Receivable [, net]	(Note 3)	1,007.69	1,553.96
General Property[,Plant,] and Equipment, Net	(Note 4)	211,759.09	
Total Other than Intragovernmental		$ 212,766.78	$ 1,553.96
Total Assets		$ 4,251,198.02	$ 2,736,675.13
Liabilities:	(Note 5)		
Intragovernmental:			
Accounts Payable	(Note 5)	187,445.52	6,829.09
Other Liabilities	(Note 6)	75,229.00	56,454.09
Total Intragovernmental		$ 262,674.52	$ 63,283.18
Other than Intragovernmental:			
Accounts Payable		336,310.40	298,330.59
Federal Employee and Veterans Benefits Payable	(Note 5)	585,654.38	
Other Liabilities	(Note 6)	342,461.52	841,019.04
Total Other than Intragovernmental		$ 1,264,426.30	$ 1,139,349.63
Total Liabilities		$ 1,527,100.82	$ 1,202,632.81
Net Position:			
Unexpended Appropriations - Funds from Other than Dedicated Collections		3,084,793.36	2,063,639.52
Total Unexpended Appropriations (Combined or Consolidated)		$ 3,084,793.36	$ 2,063,639.52
Cumulative Results of Operations - Funds from Other than Dedicated Collections		(360,696.16)	(529,597.20)
Total Cumulative Results of Operations (Combined or Consolidated)		$ (360,696.16)	$ (529,597.20)
Total Net Position		$ 2,724,097.20	$ 1,534,042.32
Total Liabilities and Net Position		$ 4,251,198.02	$ 2,736,675.13

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, 2021 and 2020

	2021	2020
Gross Program Costs:		
AB1:		
Gross Costs	$ 9,559,663.76	$ 9,466,205.70
Less: Earned Revenue	124,900.02	124,900.02
Net Program Costs	$ 9,434,763.74	$ 9,341,305.68
Net Cost of Operations	$ 9,434,763.74	$ 9,341,305.68

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

For the Year Ended September 30, 2021

	FY 2021 (CY)	
	Funds from Other than Dedicated Collections (Consolidated Totals)	**Consolidated Total**
Unexpended Appropriations:		
Beginning Balance	$ 2,063,639.52	$ 2,063,639.52
Adjustments:		
Corrections of errors	50,816.56	50,816.56
Beginning balance, as adjusted	$ 2,114,456.08	$ 2,114,456.08
Appropriations received	10,500,000.00	10,500,000.00
Other Adjustments	(194,102.21)	(194,102.21)
Appropriations Used	(9,335,560.51)	(9,335,560.51)
Net Change in Unexpended Appropriations	$ 970,337.28	$ 970,337.28
Total Unexpended Appropriations: Ending	$ 3,084,793.36	$ 3,084,793.36
Cumulative Results from Operations:		
Beginning Balances	(529,597.20)	(529,597.20)
Corrections of errors	(11,066.67)	(11,066.67)
Beginning balance, as adjusted	$ (540,663.87)	$ (540,663.87)
Appropriations Used	9,335,560.51	9,335,560.51
Nonexchange Revenue	200.00	200.00
Imputed Financing	278,970.94	278,970.94
Net Cost of Operations	$ 9,434,763.74	$ 9,434,763.74
Net Change in Cumulative Results of Operations	$ 179,967.71	$ 179,967.71
Cumulative Results of Operations: Ending	$ (360,696.16)	$ (360,696.16)
Net Position	$ 2,724,097.20	$ 2,724,097.20

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

For the Year Ended September 30, 2020

FY2020 (PY)

	Funds from Other than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:		
Beginning Balance	$ 1,231,698.15	$ 1,231,698.15
Adjustments:		
Corrections of errors	(152,310.88)	(152,310.88)
Beginning Balance, as adjusted	$ 1,079,387.27	$ 1,079,387.27
Appropriations received	10,000,000.00	10,000,000.00
Other adjustments	(137,892.51)	(137,892.51)
Appropriations used	(8,877,855.24)	(8,877,855.24)
Net Change in Unexpended Appropriations	$ 984,252.25	$ 984,252.25
Total Unexpended Appropriations: Ending	$ 2,063,639.52	$ 2,063,639.52
Cumulative Results from Operations:		
Beginning Balances	($455,613.98)	(455,613.98)
Corrections of errors	137,385.88	137,385.88
Beginning balance, as adjusted	$ (318,228.10)	$ (318,228.10)
Appropriations Used	8,877,855.24	8,877,855.24
Imputed Financing	252,081.34	252,081.34
Net Cost of Operations	$ 9,341,305.68	$ 9,341,305.68
Net Change in Cumulative Results of Operations	$ (211,369.10)	$ (211,369.10)
Cumulative Results of Operations: Ending	$ (529,597.20)	$ (529,597.20)
Net Position	$ 1,534,042.32	$ 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 BUDGETARY RESOURCES

For The Years Ended September 30, 2021 and 2020

		2021 Budgetary	2020 Budgetary
Budgetary resources			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)		$ 562,695.13	$ 694,651.73
Appropriations (discrectionary and mandatory)		10,500,000.00	10,000,000.00
Spending authority from offsetting collections (discretionary and mandatory)			250,000.00
Total budgetary resources		$ 11,062,695.13	$ 10,944,651.73
Status of budgetary resources			
New obligations and upward adjustments (total)	(Note 8)	$ 9,963,451.67	$ 10,278,977.26
Unobligated balance, end of year:			
Apportioned, unexpired account		592,337.80	178,332.66
Unexpired unobligated balance, end of year		$ 592,337.80	$ 178,332.66
Expired unobligated balance, end of year		506,905.66	487,341.81
Unobligated balance, end of year (total)		$ 1,099,243.46	$ 665,674.47
Total budgetary resources		$ 11,062,695.13	$ 10,944,651.73
Outlays, Net			
Outlays, net (total) (discretionary and mandatory)		9,002,975.85	8,768,759.38
Agency outlays, net (discretionary and mandatory)		$ 9,002,975.85	$ 8,768,759.38

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 $10,500,000 in appropriated funding for FY 2021, with the stipulation that "No less than $2,500,000 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, 2021, 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 how budgetary resources were made available during the period and their status at the end of the period.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the *Financial Report of the United States Government*. The presentation of the fiscal year 2020 Balance Sheet was modified to be consistent with the fiscal year 2021 presentation.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General property and equipment

General property and equipment (PP&E) consist of equipment used for general operations and internal use software. The basis for recording purchased PP&E is full cost, which includes all costs incurred to bring the PP&E to a form and location suitable for its intended use. The cost of PP&E acquired through donation is the estimated fair market value when acquired. All PP&E with an initial acquisition cost of $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 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 which the Committee automatically contributes one percent of employee pay and matches employee contributions up to an additional four percent of pay.

Federal employee benefits (Continued)

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017, FY2018, FY2019, FY2020 and FY 2021). The FY 2016 annual fund was cancelled, and the remaining $194,102.21 fund balance given back to Treasury during FY 2021.

	2021	2020
Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	$ 592,337.80	$ 178,332.66
(b) Unavailable	$ 506,905.66	$ 487,341.81
(2) Obligated Balance not yet Disbursed	$ 2,787,972.99	$ 1,918,620.04
Total	$ 3,887,216.45	$ 2,584,294.51

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at September 30:

	2021	2020
Accounts Receivable - Other than Intragovernmental	$ 1,007.69	$ 1,553.96
Accounts Receivable - Intragovernmental		$ 124,900.02

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

As of September 30, 2021, the Committee showed Property, Plant and Equipment with a total cost of $333,005.80 and a net book value of $211,759.09. The Accumulated Depreciation to date was $121,246.71.

2021	Equipment	Construction in Progress	Total
Cost	$171,565.04	$161,440.76	$333,005.80
Accumulated Depreciation	($121,246.71)		($121,246.71)
Net Book Value	$50,318.33	$161,440.76	$211,759.09

2020	Equipment	Leasehold	Total
Cost	$113,301.71	$258,074.37	$371,376.08
Accumulated Depreciation	($113,301.71)	($258,074.37)	($371,376.08)
Net Book Value	$0.00	$0.00	$0.00

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, 2021, the Committee showed liabilities covered by budgetary resources of $953,437.88 and liabilities not covered by budgetary resources of $573,662.94. The only liability not covered by budgetary resources is the unfunded leave liability. The unfunded leave liability as of September 30, 2020 was included in the Other Liabilities line item.

	2021	2020
Intragovernmental		
(1) Accounts Payable	$187,445.52	$6,829.09
(2) Other	$75,229.00	$56,454.09
Total Intragovernmental	$262,674.52	$63,283.18
Other than Intragovernmental		
(1) Accounts Payable	$336,310.40	$298,330.59
(2) Federal Employee and Veterans Benefits Payable	$585,654.38	
(a) Employer Contributions and Payroll Taxes Payable	$11,991.44	
(b) Unfunded Leave	$573,662.94	
(3) Other Liabilities	$342,461.52	$841,019.04
Total Other than Intragovernmental	$1,264,426.30	$1,139,349.63
Total Liabilities	$1,527,100.82	$1,202,632.81
Total Liabilities not covered by budgetary resources	$573,662.94	$551,967.83
Total Liabilities covered by budgetary resources	$953,437.88	$650,664.98
Total Liabilities	$1,527,100.82	$1,202,632.81

NOTE 6 – OTHER LIABILITIES

Other than Intragovernmental liabilities for the year ended September 30, 2021 consist of Accrued Funded Payroll and Leave in the amount shown below. Other Intragovernmental liabilities for the year ended September 30, 2021 consist of Employer Contributions and Payroll Taxes Payable and Custodial Liabilities.

	2021	
	Non-Current	Current
Intragovernmental		
Employer Contributions and Payroll Taxes Payable		$75,429.00
Custodial Liability		-$200.00
Total Intragovernmental	$0.00	$75,229.00
Other than Intragovernmental		
Accrued Funded Payroll & Leave		$342,461.52
Total Other than Intragovernmental	$0.00	$342,461.52
Total Other Liabilities	$0.00	$417,690.52

Other than Intragovernmental liabilities for the year ended September 30, 2020 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable, Unfunded Leave and Contingent Liabilities in the amounts shown below. Other Intragovernmental liabilities for the year ended September 30, 2020 consist of Employer Contributions and Payroll Taxes Payable.

	2020	
	Non-Current	Current
Intragovernmental		
Employer Contributions and Payroll Taxes Payable		$56,454.09
Total Intragovernmental	$56,454.09	$0.00
Other than Intragovernmental		
Accrued Funded Payroll & Leave		$280,518.84
Employer Contributions and Payroll Taxes Payable		$8,532.37
Unfunded Leave	$542,217.83	
Contingent Liabilities	$9,750.00	
Total Other than Intragovernmental	$551,967.83	$289,051.21
Total Other Liabilities	$608,421.92	$289,051.21

NOTE 7 – LEASES

Effective June 10, 2021, the Committee and OIG entered into a lease as collocated occupants at a new headquarter building located Washington DC. The construction for the new location is ongoing and the estimated move-in is scheduled for February 2022. The new facility square footage will be 7,433 at an initial total annual cost of $315,497. The Committee is expected to cover lease costs in the new collocated headquarters.

The Committee's total operating lease expenses as of September 30, 2021 and 2020 were $95,651 and $353,715, respectively. The IG's total operating lease expenses as of September 30, 2021 and 2020 were $35,241 and $95,370.

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

Fiscal Year	Office Space Cost Estimates
2022	$314,948*
2023	$322,290
2024	$326,248
2025	$330,326
2026	$142,444**
Total future payments	$1,436,256

*Costs include $102,400 for preparation of the move to a new location.
**Represent partial lease from October 2025 to March 2026.

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

All obligations for the Commission in fiscal year 2021 and fiscal year 2020 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:

	2021	2020
Direct - Category B	$ 9,838,551.65	$ 10,153,877.28
Reimbursable - Category B	$ 124,900.02	$ 125,099.98
Total	$ 9,963,451.67	$ 10,278,977.26

NOTE 9 – COMMITMENTS AND CONTINGENCIES

As of September 30, 2021, the Commission did not have any contingent liabilities. As of September 30, 2020, the Commission was a party to two legal actions for which the likelihood of loss was probable. Accordingly, a provision for these losses was included in the financial statements. In addition, as of September 30, 2020, there were three pending matters for which there was at least a reasonable possibility of an adverse outcome. The range of loss for all these matters was considered to be $5,000 to $150,000. These actions were 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 $278,970.94 for FY 2021 and $252,081.34 for FY 2020. 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 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD, OCTOBER 1

During the years ended September 30, 2021 and 2020, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2020 and 2019. 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, 2021 and 2020 are presented below.

	2021	2020
Unobligated balance, brought forward from prior year	$622,324.80	$613,053.00
Adjustments made during the current year		
Recoveries of prior year unpaid obligations	$85,012.24	$188,092.30
Recoveries of prior year paid obligations	$49,460.30	
Balance withdrawn to Treasury (expiring 2016 fund)	-$194,102.21	-$106,493.57
Unobligated balance brought from prior year budget authority	$562,695.13	$694,651.73

NOTE 12 - 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. $1,985,749.86 was the amount of the Committee's budgetary resources obligated for undelivered orders as of September 30, 2021.

	2021	2020
Federal Undelivered Orders	$1,007,197.54	$96,246.58
Non-Federal Undelivered Orders	$978,552.32	$1,447,635.12
Total Federal/Non-Federal Undelivered Orders	$1,985,749.86	$1,543,881.70
Paid Undelivered Orders - Federal	$151,214.79	$25,926.64
Paid Undelivered Orders - Non-Federal	$0.00	
Unpaid Undelivered Orders - Federal	$855,982.75	$70,319.94
Unpaid Undelivered Orders - Non-Federal	$978,552.32	$1,447,635.12
Total Paid/Unpaid Undelivered Orders	$1,985,749.86	$1,543,881.70
Total Undelivered Orders	$1,985,749.86	$1,543,881.70

NOTE 13 – 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 2021 actual budgetary execution information is scheduled for publication in February 2022, 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 2020 SBR and the related President's Budget reflected the following:

FY 2020	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$10,944,651.73	$10,278,977.26		$8,768,759.38
Difference 1 - Unobligated balance brought forward, Oct 1 (-)	$694,651.73			
Difference 2 - Spending Authority from Offsetting Collections (-)	$250,000.00			
Difference 3 - Rounding (+/-)		$278,977.26		$231,240.62
Budget of the US Government	$10,000,000.00	$10,000,000.00		$9,000,000.00

NOTE 14 – RECONCILIATION OF NET COST TO OUTLAYS

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

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	**$ 2,147,187.33**	**$ 7,287,576.41**	**$ 9,434,763.74**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation		(7,945.00)	(7,945.00)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	(124,900.02)	(546.27)	(125,446.29)
Other assets	125,288.15	-	125,288.15
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(180,616.43)	(37,979.70)	(218,596.13)
Other liabilities (accrued funded payroll and leave and employer contributions and payroll taxes payable)	(18,974.91)	(95,401.75)	(114,376.66)
Federal employee and veteran benefits payable (unfunded leave)	-	(31,445.11)	(31,445.11)
Other financing sources			
Imputed Cost	(278,970.94)		(278,970.94)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$ (478,174.15)**	**$ (173,317.83)**	**$ (651,491.98)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	58,263.33	58,263.33
Acquisition of other assets	161,440.76		161,440.76
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ 161,440.76**	**$ 58,263.33**	**$ 219,704.09**
Net Outlays (Calculated Total)	**$ 1,830,453.94**	**$ 7,172,521.91**	**$ 9,002,975.85**
Budgetary Agency Outlays, net (SBR Line 4210)			**$ 9,002,975.85**

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 15, 2021, which is the date the financial statements were available to be issued.

4. Other Information

4.1. Summary of Financial Statement Audit and Management Assurances

Table 4. Summary of Financial Statement Audit

Audit Opinion	Unmodified					
Restatement	No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	*Reassessed	Ending Balance
Financial Reporting	2	1			2	1
Total Material Weaknesses	2					1

* Note: Two (2) material weaknesses were lowered to significant deficiencies.

Table 5. 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	1			2	1
Total Material Weaknesses	2					1
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform					

* Note: Two (2) material weaknesses were lowered to significant deficiencies.

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.

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 2021 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 technical 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 October 26, 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 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. 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 15, 2021

MEMORANDUM

FOR: Jeffrey Koses
Chairperson
U.S. AbilityOne Commission

FROM: Stefania Pozzi Porter
Inspector General (Acting)

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 2021.

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) enhancement of program compliance, 2) breakdowns in internal control over financial management and reporting (formerly named, in the 2020 Report, Addressing Anti-deficiency Violations and Strengthening Financial Management), 3) growing list of unimplemented OIG audit recommendations, 4) successful implementation of the Section 898 Panel recommendations, 5) allocation of roles, resources responsibilities, and authorities and responsibilities among the Commission senior staff, 6) higher level of transparency and communication needed to enhance program confidence, 7) establishing an enterprise-wide risk management framework, 8) implementation of cooperative agreements given Central Nonprofit Agencies (CNA) growth, and 9) erosion of statutory program authority.

We thank you for your support of our role, 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) 2021.

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. With this report, this year, the OIG is adding two Watch Items, one regarding accessibility and the second regarding program growth and resulting risk.

The OIG identified the top management and performance challenges (TMPC) for fiscal year (FY) 2021 as (listed without ranking of importance):

- Enhancement of Program Compliance (pp. 5–6);
- Breakdowns in Internal Control over Financial Management and Reporting (formerly named, in 2020 Report, Addressing Anti-deficiency Violations and Strengthening Financial Management)(pp. 7–9);
- Growing List of Unimplemented OIG Audit Recommendations (pp. 9–10);
- Successful Implementation of the Section 898 Panel Recommendations (pp. 10–11);
- Allocation of Roles, Resources, Authorities, and Responsibilities Among the Commission Senior Staff (pp. 11–13);
- Higher Level of Transparency and Communication Needed to Enhance Program Confidence (pp. 13–14);
- Establishing an Enterprise-wide Risk Management Framework (pp. 15–16);
- Implementation of Cooperative Agreements given Central Nonprofit Agencies (CNA) Growth (pp. 17–18); and
- Erosion of Statutory Program Authority (pp. 19–25).

Newly Added Watch Item
Accessibility

The topics discussed in the report encompass multiple challenge areas and attest to the complex nature of the AbilityOne Program. In this report, we introduce an emerging challenge regarding the existence of appropriate controls (e.g., knowledge, processes, and resources) to ensure accessibility and reasonable accommodations for people who are blind or have significant disabilities. As such, we are placing it on a watch list as a potential, reportable challenge for the Commission. This potential challenge was brought to the attention of the OIG as part of a broader set of employee concerns regarding the Commission's application of protocols and processes to allow equitable access and opportunities for blind or significantly disabled individuals who may work with the Commission. As a program whose sole purpose is to provide employment opportunities for people with disabilities, it is imperative that the agency understands and utilizes best practices in accessibility and reasonable accommodation.

Newly Added Watch Item
AbilityOne Program Growth and Resulting Risk

In a memo dated October 30, 2020, OMB's Office of Federal Procurement Policy ("OFPP"),[1] directed agencies across the federal government[2] to designate an AbilityOne representative ("ABOR") whose job it is to promote federal procurement in compliance with AbilityOne contract sourcing requirements. The OFPP memo also encourages each agency to pledge to increase its percentage of spend on AbilityOne products and services above its FY 2020 baseline and, to the extent feasible, make a minimum pledge equal to at least 1% of the total amount of funds obligated for contracts entered into with the agency during the fiscal year, with a further goal of increasing spend to 1.5% in FY 2022. As of November 5, 2021, 18 CFO Act agencies have named ABORs, and 12 agencies have made pledges to increase their AbilityOne utilization.[3] The Commission anticipates that the ABOR Program will increase AbilityOne contracts, and with growth comes increased risk. Accordingly, we are placing AbilityOne Program growth on a watch list as a potential, reportable challenge for the Commission.

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 communicated with the Commission leadership to gain their perspective on the challenge areas and considered the accomplishments the staff reported as of September 30, 2021. 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

[1] OMB Memo entitled "Increasing the Participation of Americans with Disabilities in Federal Contracting," dated October 30, 2020.
[2] The memo applies to the 24 agencies named in the Chief Financial Officers Act, Pub. L. No. 101-576 (November 15, 1990).
[3] U.S. AbilityOne Commission's Comments to OIG's TMC, "Points for Consideration Top Management Challenges," dated November 5, 2021.

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 eight vacancies, all of which represent federal agencies (Departments of Agriculture, Air Force, Army, Defense, Education, Justice, Navy, and Veterans Affairs). These vacancies amount to more than half of the Commission membership (eight out of 15) and hinder participation from the eight federal agencies lacking representation.

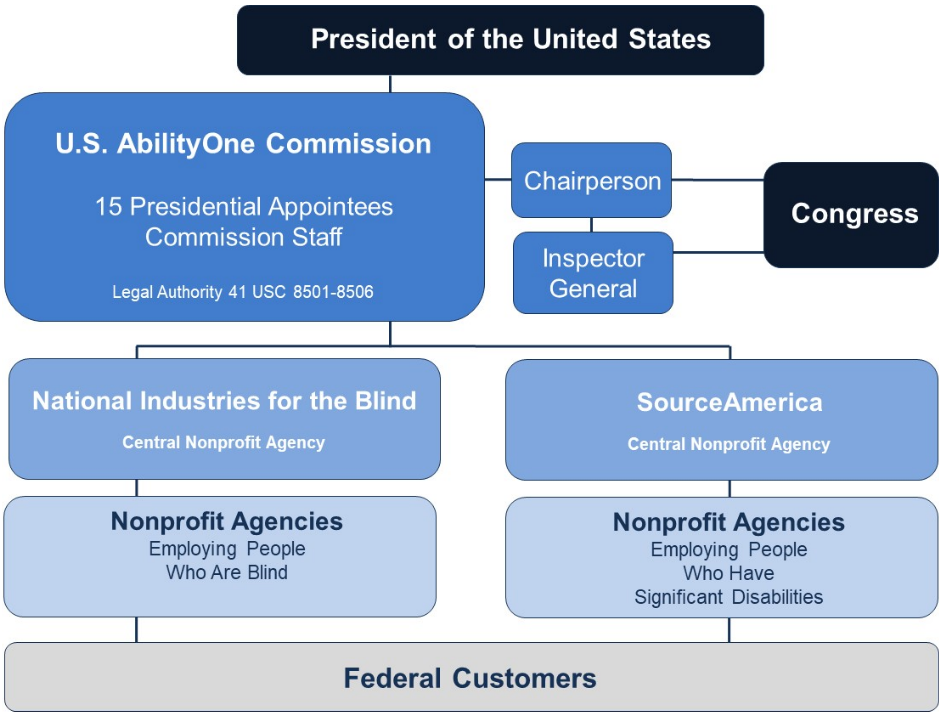
The Commission has about 32 full-time employees for the administration of the AbilityOne Program. The Program is a source of employment for approximately 45,000 people who are blind or have significant disabilities through contracts across all fifty states and U.S. territories by more than 500 nonprofit 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,[4] the National Industries for the Blind (NIB) (established in 1928) and SourceAmerica (established in 1974).[5]

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.

[4] 41 CFR § 51-3.1.
[5] Effective December 31, 2020, the Commission ended a cooperative agreement with a third CNA, the American Foundation for the Blind (AFB) for an initial phase of research.

Figure 1:
AbilityOne Program Organization



Management Challenge 1: Enhancement of Program Compliance

Why This Is a Challenge

Pursuant to 41 CFR Part 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 did not complete onsite visit inspections or review of NPAs.

While the Office of Compliance has made progress in providing oversight and has improved communication with the stakeholders, in previous Top Management Challenges Reports, the Commission had 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 has only two employees, and the Office's director, the third employee, has recently left the Commission. Subsequently 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. Since 2011 the Compliance Office has not performed meaningful compliance visits to NIB-affiliated NPAs. Although the Compliance Office delegates certain compliance duties to the CNAs, 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 reflected in civil fraud settlements with Goodwill Memphis, Industries for the Blind and Visually Impaired, and CW Resources, SourceAmerica-affiliated NPAs.[6]

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 Commission's website.

Progress In Addressing The Challenge

The Commission has committed several resources to the Office of Oversight and Compliance through the hiring of a Director, a Compliance Inspector, and two Vocational Rehabilitation Specialists. With these recent additions, the Office of Oversight and Compliance has six FTEs.

The Office of Oversight and Compliance is engaging its resources to work cooperatively with the Compliance Offices of SourceAmerica and NIB. In 2021, SourceAmerica reported 250 virtual and 34 on-site NPA compliance reviews. Of these, the Commission participated in 53 virtual and 20 on-site reviews. In 2021, NIB reported 33 virtual and 24 on-site reviews. Of these, the Commission participated in 19 virtual and 7 on-site.

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. What's more, in December 2020, the OIG announced an audit of the Compliance Program to help build confidence in the overall compliance framework. The objective of the audit is to determine whether the Compliance Program has been implemented effectively to provide reasonable assurance of nonprofit agency and central nonprofit agency compliance with applicable laws, regulations, and policies. The audit's scope and methodology will delve into the management and administration of the AbilityOne Compliance Program from FY2018 through FY2020.

[6] https://www.justice.gov/usao-wdtn/pr/memphis-goodwill-industries-inc-will-pay-150000-united-states-claims-were-violation; https://www.justice.gov/opa/pr/wisconsin-based-nonprofit-pay-19-million-settle-allegations-false-claims-and-kickbacks; https://www.justice.gov/usao-ct/pr/connecticut-employment-contractor-pays-600k-resolve-federal-false-claims-act-allegations.

Management Challenge 2: Breakdowns in internal control over financial management and reporting (formerly named, in 2020 Report, Addressing Anti-deficiency Violations and Strengthening Financial Management)

Why This Is a Challenge

Sound financial management is vital for federal agencies to accomplish their missions in an effective and efficient manner. Yet, the Commission faces significant challenges related to internal control over its financial management operations. Specifically, in their fiscal year 2020 financial statement audit report, the IPA firm Allmond & Company, LLC (Allmond) noted that the Commission's financial statements presented fairly, in all material respects, the financial position of the Commission as of September 30, 2020, and 2019 (unmodified or "clean" opinion).[7] However, the auditors also found serious internal control breakdowns that led to the issuance of six findings and 25 recommendations. The findings included:

- Two material weaknesses related to 1) inadequate preparation of financial statements and related footnotes, and 2) improper estimation or inaccurate recording of year-end accrued liabilities.
- Three significant deficiencies related to 1) shortfalls in the electronic retention of employee benefits election forms, 2) insufficient controls over financial reporting of upward and downward adjustments of prior year obligations, and 3) weaknesses in the recording of reimbursable activity and the collection of reimbursable payments, and
- Instances of non-compliance with the Antideficiency Act.[8]

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

---

[7] See Allmond & Company, LLC, Independent Auditors' Report, November 16, 2020, https://www.oversight.gov/node/94091

[8] The Antideficiency Act prohibits federal employees from, among other things, making or authorizing an expenditure or obligation that exceeds the amount available in an appropriation or fund. 31 U.S.C. § 1341(a)(1)(A). The Commission has been aware of the existence of ADA violations since at least December 2019, when it acknowledged Allmond's audit findings in its management response. Since then, two memoranda from the Inspector General and a GSA investigation have laid out the reporting requirements and confirmed the existence of the ADA violations. Nevertheless, the Commission has not reported the ADA violations to the President, Congress, and the Comptroller. Reporting the ADA violations as required by statute, addressing their underlying cause, and preventing future violations constitutes a serious challenge for agency leadership.

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."

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.

These findings present serious challenges to the Commission's financial management operations and significantly diminishes reasonable assurance that the Commission will be able to prevent or detect and correct errors in its financial statements and employee payroll records.

Progress In Addressing The Challenge

The Commission has made progress with this challenge by creating three Commissioner-led subcommittees on enterprise risk management, performance management, and competition, which will introduce innovation and advance transparency. Moreover, the Commission hired a new Chief Financial Officer (CFO) about a year ago, and, in this role, he has been working to address the ADA violations and has instituted stronger controls to prevent future violations. In March 2021, the Commission submitted a draft ASA report to the Office of Management and Budget (OMB). In August 2021, OMB requested an update and revision to the report. The draft ADA report is under review by an OMB Examiner. No additional actions are required by the Commission at the writing of this report.

Specifically, the CFO took the following actions:

- Hired a Deputy CFO who onboarded in July 2021,

- Established a Management Internal Control Program and completed the first annual Federal Manager's Financial Integrity Act (FMFIA) Statement of Assurance Report, and
- Developed and documented various financial management workflow processes and standard operating procedures.

Management Challenge 3: The list of unimplemented OIG audit recommendations will continue to grow significantly without an increased effort to implement corrective actions and strengthen Program controls

Why This Is a Challenge

The Commission is faced with the challenge of implementing a list of OIG audit recommendations that has grown at a compound annual growth rate of almost 30 percent since the OIG first issued recommendations in 2017. Moreover, each open recommendation presents 1) an unmitigated risk to the Commission's achievement of its goals and strategic objectives and 2) an unseized opportunity to improve the Program's performance. As of September 30, 2021, there are 58 open recommendations, 6 of which were reported as implemented by management but remain open due to inadequate corrective actions or supporting documentation.[9] It is highly likely this list will continue to grow without a sustained focus on remediating open recommendations and improving overall Program controls.

Progress In Addressing The Challenge

The Commission has taken positive steps to foster improved recommendation remediation. For example, the Commission assigned the CFO, the CIO, and the PMO Director as Audit Follow-Up Officials responsible for working with OIG on resolving the open OIG audit recommendations affecting their respective areas. Furthermore, corrective action by the Commission on deficiencies identified in OIG engagements led to the closure of 19 recommendations (8 for the CFO, 10 for the CIO, and 1 for PMO) since our last TMC report.

Recommendation follow-up is an integral part of good management and is a shared responsibility of agency management and auditors. To that end, the OIG contracted with CLA to establish a process to provide audit recommendation tracking, assessment, and reporting services. As part of this initiative, CLA, in partnership with the OIG, established a process to monitor corrective actions taken by Commission staff as well as assess supporting evidence provided in response to recommendations to determine if the actions and evidence are sufficient to support recommendation closure.

The Commission should continue to devote attention to address the outstanding OIG audit recommendations in efforts to ensure that risks are mitigated, and adequate internal controls are

[9] Quarterly Audit Recommendation Status Report (Appendix A).

identified, documented, and implemented. The OIG will continue to promote ongoing and recurring discussions with management to help focus attention on current processes and assess actions taken to close out remaining recommendations.

Management Challenge 4: 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 (IG), the Chairperson for the U.S. AbilityOne Commission, and the U.S. AbilityOne 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 implementing the recommendations involves several Agencies and disciplines. The 898 Panel will issue its fourth, and final, report in December 2021 to Congress. The upcoming report provides progress on the implementation of the recommendations identified in the Panel's previous three reports to Congress. The fourth Report will be issued before the end of 2021. It will be the last 898 Panel report, as the panel sunsets in 2021. A significant challenge for the U.S AbilityOne 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 U.S. AbilityOne 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 AbilityOne Commission's implementation of necessary measures remains vital to ensure the effective completion of the desired improvements, identified by the work of the 898 Panel.

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 as an Appendix. The Commission is continuing to work to implement and integrate the recommendations to increase the accountability, oversight, and integrity of its Program, this effort remains a challenge for this year. Execution of these recommendations will positively impact the employment opportunities for individuals who are blind or have other significant disabilities.

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. The majority of the recommendations require action by the U.S. AbilityOne Commission to establish or update policy, business practices, and regulations, or to recommend Congressional amendment of the Javits-Wagner-O'Day (JWOD) Act.

As a result of Panel proceedings over the past year, the Panel prioritized the 25 recommendations identified in the second annual report,[10] some of which were completed by actions taken and others which are in various stages of implementation. Several of the recommendations were combined or modified as explained within the report. The feasibility of certain recommendations continue to be explored by stakeholders with new initiatives. The actions taken to date are improving the oversight, accountability, and transparency in contracting with the AbilityOne Program network, increasing employment opportunities, and should result in the DoD improving the customer experience with the AbilityOne Program.

A significant accomplishment during this reporting period is the issuance of needed and essential compliance policies by the U.S. AbilityOne Commission. This action is the result of a recommendation shepherded by the 898 Subcommittee. The compliance policies represent an important step in providing needed guidance across the AbilityOne network. 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.

Management Challenge 5:
The Commission is challenged with the allocation of roles, resources, authorities, and responsibilities among the Commission Senior Staff

Why This Is a Challenge

In previous 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.[11] One of the recommendations stated that in order to manage effectively 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

[10] Appendix C.
[11] https://www.oversight.gov/node/21488

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 Commission, for instance, recently lost their Executive Director , as she had retired from Federal service. The Chairperson has named an Acting Executive Director until the vacancy announcement can be advertised, competed, and a selection made. A significant challenge for the Commission is the effective allocation of resources and responsibilities among the staff.

In September of 2020, the Office of Government Ethics (OGE) issued a report[12] 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 governments 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. The Ethics program in a government agency is the responsibility of the Delegated Ethics Officer (DEO), the Commission's General Counsel.

Progress In Addressing The Challenge

Adequate financial management systems, reliable financial information, and robust systems of internal controls are necessary to help manage operations and avoid the pitalls of poorly controlled programs. The consequences of past failures to control adequately AbilityOne financial operations are exemplified by the occurrence of Antideficiency Act violations. In order to address these fincancial management breakdowns, in 2021 the Commission hired a Chief Financial Officer (CFO) to oversee the Agency's financial systems and operations. With his background, education, and experience, the new Agency CFO should be well equipped to fulfill his role as the focal point for financial management and be a critical factor in reversing the deteriorated state of the Commission's financial management systems and controls.

Related to the recommendation made in the U.S. AbilityOne Program Fee Report, dated December 20, 2019, the Commission has requested and has been subjected to the workforce analysis performed by OPM. This workforce analysis is ongoing, and no final report has been issued to the Commission.

The Commission has been leveraging increased budget appropriations and the consolidation of the Commission's and the Office of Inspector General's office space, for the ability to maximize its mission workforce. In the year 2021, the Commission has increased its workforce from 23 to 29. The Commission has hired personnel to occupy the positions of Chief Financial Officer, Deputy Chief Financial Officer, Director of Oversight and Compliance, and Assistant General Counsel.

---

[12] https://www.oge.gov/web/oge.nsf/0/62932FC1D2F1AD7D852585F8005C77F4/$FILE/2020%20AbilityOne%20Inspection%20Report%2020-50I.PDF (Appendix C).

It should be noted that at the time of issuance of this report, the Commission informed the OIG that the Commission's General Counsel had accepted employment with another Federal agency. With this announcement, the Commission has the need to advertise and select an Executive Director and General Counsel. The OIG is not aware of steps that the Commission may have taken to comply with the OGE open recommendations.

Management Challenge 6: 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.

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.[13] Congress has made repeated observations regarding challenges in transparency, especially in a program that employs over 42,000 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.*

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.[14] In

[13] 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).

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

addition, a recent report published by the National Council on Disability (NCD) concluded that the AbilityOne Program is hampered by a lack of transparency and confusion over compliance roles.[15]

Commission Meetings

The Commission's public meetings are regularly held four times a year. 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.

In 2021, four (4) new private citizen Commission members were appointed by the President. The new private citizens were recently introduced during a public Commission meeting. The Commission members are making tremendous strides in creating 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 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. Moreover, 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.[16]

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).[17] The Cooperative Agreements, as required by the Consolidated Appropriations Act of 2016, measure CNA operations.[18] This is a

[15] Policies from the Past in a Modern Era: The Unintended Consequences of the AbilityOne Program & Section 14(c)
[16] House Report 116 -62 at 223.
[17] AbilityOne Program Procurement List Pricing Policy (51.600 series)
[18] Public Law 114-113.

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.

In 2021, the Commission regularly published the Commission's public meetings in the Federal Register. The Commission also conducted additional steps in the publication in its Notice of Proposed Rulemaking (NPRM) that would recommend to end the use of 14(c) certificates on AbilityOne contracts.

The Commission has taken extra steps in an effort to increase transparency with the Commission's proposed rules and all public comments have been made viewable on www.regulations.gov. The Commission has taken a forward stance with press releases for the announcement of the new private citizen Commissioners and changes in senior staff. 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.

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 Commission's implementation 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' perspectives and inputs to improve the AbilityOne Program.

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

Why This Is a Challenge

In previous Top Management Challenges Reports, the Commission did 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. 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.[19] 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 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 Office. In his CFO role, this agency official has addressed and instituted stronger controls and building ERM.

In 2021, with the hiring of the Commission's CFO, the CFO engaged in efforts in the development and execution of Enterprise Risk Management Planning and made strides in strengthening the Commission's Management Internal Controls Program. These efforts address the establishment of Enterprise Risk Management policy and procedures, thecompletion of the Commission's Risk Profile, and the identification and finalization of 21 distinct risk mitigation plans for execution. The Commission briefed these actions to the OIG in September 2021.

With the continued development, management, execution, and re-evaluation of the Commission's ERM and Risk Profile, the Commission has an increased ability of mitigating and avoiding risks.

---

[19] https://www.oversight.gov/node/72259

Management Challenge 8:
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. In 2021, AFB was removed from its Commission's activities as the third CNA.

The Commission is responsible for overseeing the implementation of the Cooperative Agreements with the CNAs to ensure performance. 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 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.

In April 2020, the OIG issued a report on the audit of the implementation of Cooperative Agreements between the Commission and NIB, and SourceAmerica. The objectives of the audit were to determine whether:

- 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.

In the FY22 markups in both the House and Senate, the proposed appropriations contain the below language surrounding the Legislators' concerns over the Commission's Cooperative Agreements:

> "The Committee is encouraged by the steps the Commission has taken to address concerns regarding the oversight of the central nonprofit agencies [CNA], the independent contracted organizations which administer the program. The Committee is concerned that

CNAs are required to report to the AbilityOne Commission prior to any significant meetings, including congressional oversight meetings, and directs the agency to remove this requirement from the CNA cooperative agreements. The Committee for Purchase From People Who Are Blind or Se[1]verely Disabled shall submit in an electronic format quarterly reports on CNA Fees and CNA Expenditures, due no later than 60 days after the end of the fiscal quarter, to the Committees on Oversight and Government Reform and Education and the Workforce of the House of Representatives, Committees on Homeland Security and Governmental Affairs and Health, Education, Labor, and Pensions of the Senate, and Committees on Appropriations of the House of Representatives and the Senate."

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.

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.

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.

Challenges in the implementation of the cooperative agreements has had positive results with stronger leadership in the PMO organization under the Director. In 2020, the Commission had engaged with the hiring of 11 critical positions that will increase these needed skills in financial management, compliance, vocational rehabilitation, business operations, IT and cybersecurity, legal reviews, and pricing. The Commission hired 1 Chief Financial Officer, 1 Senior Budget Analyst, 3 Compliance and Vocational Rehabilitation Specialists, 2 Business Operations Specialists, 2 Cybersecurity & Information Technology Specialists (converted contractor positions), and 2 Attorneys.

Management Challenge 9:
Erosion of Statutory Program Authority

Why This Is a Challenge

The challenge of program erosion remains at a pivotal stage. During the last four 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. Last 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,*[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 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 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,*[21] 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."[22] 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.[23]

In its 2018 decision, *PDS Consultants*,[24] 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

[20] Pub. L. No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).
[21] 136 S.Ct. 1969 (2016).
[22] Veterans Benefits Act of 2006, 38 U.S.C. § 8127(d).
[23] *Kingdomware Technologies, Inc. v. United States*, 136 S.Ct. 1969 (2016).
[24] *PDS Consultants, Inc. v. U.S., Winston-Salem Industries for the Blind*, 907 F.3d 1345 (October 17, 2018).

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,*[25] 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.[26] Its implementation has conflicted 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.

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."[27] 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."[28]

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]."[29] The three agencies also "solicited

[25] Pub. L. No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).
[26] 20 U.S.C. §§ 107 et. seq.
[27] https://www2.ed.gov/programs/rsarsp/index.html.
[28] NDAA of 2006, Pub. L. No. 109-163, § 848(b), 119 Stat. 3136, 3395 (2006).
[29] 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.

public comments through a notice in the Federal Register, and approximately 240 comments were received."[30]

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.[31] However, "In all other cases, the contracts will be set aside for JWOD performance."[32]

After two years[33] of lost AbilityOne Program jobs, the Unified Agenda[34] 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.

This program continues to face challenges to its authority. In *Top Gun Services, LLC v. U.S.*[35], 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 846.[36] 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."

---

[30] *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).
[31] Joint Policy Statement at 4, Full Food Services (FFS).
[32] *Id.* (emphasis added).
[33] *See* FY 2015 NDAA Joint Explanatory Statement (prompting the DFARS rule). P.L. 113-291 (December 2014).
[34] The Unified Agenda is a semi-annual report on the actions that agencies plan to issue in the near and long term.
[35] *Top Gun Services, LLC v. U.S.*, 1:20-cv-00908-DAT, No. 20908C (Fed. Cl, Nov. 11, 2020).
[36] Pub. L. No. 115-91.

The U.S. AbilityOne 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)[37] 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.

In 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.[38] GSA's implementation of the Section 846 E-Commerce Platform is expected to extend through FY2020. 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.

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. It is likewise critical that vendors and the platforms on which they operate are able to block effectively ETS offerings on their websites to help prevent

[37] ETS products are commercial products that the Commission has determined to be essentially the same as products included in the Procurement List.
[38] Procurement Through Commercial E-Commerce Portals, *Phase II Report: Market Research & Consultation*.

government buyers from inadvertently purchasing products that do not fulfill the AbilityOne procurement requirements.

Competitive Source Selection

In May of this year, the United States Court of Federal Claims ruled against the establishment of an AbilityOne Commission Pilot Program for competitive pricing.[39] The pilot program was an interim policy modification to follow 898 Panel recommendation for competitive source selection.[40] The Court found that AbilityOne Commission could not use Section 898 of the 2017 NDAA as authority for making the policy.[41] The court held that 898 Panel recommendations and the acceptance of its reports by Congress does not equate to statutory authority to make regulations.[42] The Court also found that the interim policy was contrary to the JWOD Act because it did not follow AbilityOne's regulations.[43] The Court held that current AbilityOne regulation 41 C.F.R. § 51-2.7 makes price a factor to be considered and negotiated after a non-profit is awarded a contract, and this paradigm makes competitive programs that factor cost incompatible.[44] The Commission's ability to effect change through the rulemaking process, as opposed to interim policies, presents an administrative challenge to the Program and will require sufficient legal staffing and sustained focus.

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;[45]
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,[46] a provision increasing contracting goals, and thus AbilityOne Program size, was not passed. The reason discussed

[39] *Melwood Horticultural Training Ctr., Inc. v. United States,* 153 Fed.Cl. 723 (May 4, 2021).
[40] *Id.* at 731-32.
[41] *Id*. at 736.
[42] *Id.* at 737-38.
[43] *Id.* at 735-41.
[44] *Id.* at 739.
[45] "Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity" 2018 First Annual Report to Congress (898 Panel Report (2018)) at 19.
[46] FY 2019 NDAA Chairman's Mark.

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."[47]

g. Under its authorizing statute, the 898 Panel's work sunsets this year with the submission of the fourth annual report.[48] The Panel is tasked with recommending actions to eliminate waste, fraud, and abuse of AbilityOne contracts with the Department of Defense.[49]

Progress In Addressing The Challenge

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 third annual report to Congress in January 2021.[50] Issuing 25 recommendations, the 898 Panel identified as a "significant overarching challenge . . . the limited resources available" to the Commission and OIG.[51] The 25 recommendations were grouped into eight areas. The 898 Panel's fourth annual report to Congress is scheduled to be issued at the end of December 2021.

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.

The Commission has been working closely with the Department of Defense and civilian agencies to increase the utilization of the AbilityOne Representatives (ABOR) Program. OMB's Office of Federal Procurement implemented the ABOR Program through a policy in October 2020.[52] To date, 18 CFO Act agencies have named their respective ABORs and 12 agencies have made pledges to increase their AbilityOne utilization.

In an effort to preserve the employment of the blind and severely disabled, Congress passed the *VA Contracting Preference Consistency Act of 2020,*[53] 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 legislation amended 38 U.S.C. § 8127 to require VA contracting officers to procure covered products and services on the Procurement List, unless the covered product or service was procured from an eligible SDVOSB or VOSB as a result of a VA Rule of Two determination between December 22, 2006 and August 07, 2020.

[47] FY 2019 NDAA House Conference Report 115-874 at 920.
[48] Pub. L. No. 114-328 §898(j) (130 Stat 2331).
[49] *Id.* at §898(c).
[50] 898 Panel Third Annual Report to Congress.
[51] *Id.* at 4.
[52] https://www.abilityone.gov/media_room/documents/Increasing-the-Participation-of-Americans-with-Disabilities-in-Federal-Contracting.pdf
[53] Public Law No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).

The compromise legislation restored mandatory status to the AbilityOne Program for VA requirements that were added to the Procurement List prior to December 22, 2006, including replacement products and "essentially the same" products. The Commission staff works with the VA Office of Acquisition to provide a monthly Procurement List spreadsheet sorted by date of addition, to assist VA in complying with the new law. In January 2021, the Commission entered into a new Memorandum of Understanding (MOU) with the Rehabilitation Services Administration. The purpose of the MOU is to increase communication and coordination between the Commission and RSA so that both the JWOD Act and the Randolph-Sheppard Act are followed when food service or other vending opportunities are identified. The MOU is posted on the Commission's and RSA's website.

The Commission and RSA conducted a joint training session on the purpose and content of the MOU via YouTube, with live questions and answers, as well as subsequent written Q&A. The Commission views this MOU as a good example of interagency coordination and cooperation that may be replicated.

The Commission continued to monitor the GSA Commercial Platform Initiative (CPI) pilot test. The Commission facilitated meetings with National Industries for the Blind and GSA to discuss concerns with the CPI's limited sales of AbilityOne products. The Commission's Fall 2021 Regulatory Agenda includes notice of the Commission's intent to publish a Notice of Proposed Rulemaking related to protect the exclusivity of AbilityOne mandatory source products from Government purchases of "essentially the same" products. Through the 898 Panel, the Commission met with the Department of Defense's Director for Contracting eBusiness in the Office of Defense Pricing and Contracting (DPC) to discuss AbilityOne inclusion in other platforms.

What Needs To Be Done

While the Commission continues its work with the 898 Panel (which has a three-year mandate ending in December 2021) 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 eight federal government agencies,[54] deprives the agencies of a senior government official with AbilityOne Commission-specific expertise, and deprives the Commission of a representative voice in those eight federal agencies. As a result, these unrepresented departments or agencies[55] may be disadvantaged, and so is the Commission.

[54] 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 of Justice, Department of Labor, and General Services Administration).

[55] *Id.* at (b)(1) (stating that Commissioners are Presidential Appointees that must be nominated by the head of the

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 2021. The challenge areas identified by the OIG are connected to the U.S. AbilityOne 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: 1) enhancement of program compliance, 2) breakdowns in internal control over financial management and reporting (formerly named, in 2020 Report, Addressing Anti-deficiency Violations and Strengthening Financial Management), 3) growing list of unimplemented OIG audit recommendations , 4) successful implementation of the Section 898 Panel recommendations, 5) allocation of roles, resources responsibilities, and authorities and responsibilities among the commission senior staff, 6) higher level of transparency and communication needed to enhance program confidence, 7) establishing an enterprise-wide risk management framework, 8) implementation of cooperative agreements given Central Nonprofit Agencies (CNA) growth, and 9) erosion of statutory program authority.

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 one new challenge related to Growing List of Unimplemented OIG Audit Recommendations and a renamed existing challenge of Breakdowns in Internal Control over Financial Management and Reporting (formerly named, in 2020 Report, Addressing Anti-deficiency Violations and Strengthening Financial Management). In the issuance of this TMC, we report two new watch items that have been identified as concerns brought to the attention of the OIG by Program stakeholders. The new watch items are Accessiblity and the AbilityOne Program's Growth and Resulting Risk.

---

department or agency). There are no confirmed Commissioners from the Departments of Agriculture, Defense, Army, Navy, Education, Veterans Affairs, and Justice.

Appendix A

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
1	FY 2020 Financial Statement Audit	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 *(Repeat finding from 2019 Financial Statement Audit)*.	8/31/2022	Open	CFO	Corrective Action Plan (CAP) in place
2	FY 2020 Financial Statement Audit	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 *(Repeat finding from 2019 Financial Statement Audit)*.	8/31/2022	Open	CFO	CAP in place
3	FY 2020 Financial Statement Audit	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 *(Repeat finding from 2019 Financial Statement Audit)*.	8/31/2022	Open	CFO	CAP in place
4	FY 2020 Financial Statement Audit	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	8/31/2022	Open	CFO	CAP in place

[1] Legend for Responsible Office is as follows:
CFO – Office of the Chief Financial Officer
CIO – Office of the Chief Information Officer
PMO – Director of the Program Management Office

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
		financial statements and instruct the service provider to record these entries and/or disclose these amounts, as appropriate *(Repeat finding from 2019 Financial Statement Audit)*.				
5	FY2020 Financial Statement Audit	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.	8/31/2022	Open	CFO	CAP in place
6	FY2020 Financial Statement Audit	Continue to implement management's corrective action plan, including the filling of vacant positions.	8/31/2022	Open	CFO	CAP in place
7	FY2020 Financial Statement Audit	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.	8/31/2021	Open	CFO	Implemented
8	FY2019 Financial Statement Audit	Commission management should 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.	10/31/2021	Open	CFO	CAP in place
9	FY2019 Financial Statement Audit	Commission management should independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts.	10/31/2021	Open	CFO	CAP in place

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
10	FY2020 Financial Statement Audit	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 *(Repeat finding from 2019 Financial Statement Audit)*.	10/31/2021	Open	CFO	CAP in place
11	FY2019 Financial Statement Audit	Commission management should develop written policies and procedures which define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions.	10/31/2021	Open	CFO	CAP in place
12	FY2020 Financial Statement Audit	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.	10/31/2021	Open	CFO	CAP in place
13	FY2020 Financial Statement Audit	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 *(Repeat finding from 2019 Financial Statement Audit)*.	10/31/2022	Open	CFO	CAP in place
14	FY2020 Financial Statement Audit	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	8/31/2022	Open	CFO	CAP in place

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
		maintained in the e-OPF or consider developing and implementing its own repository of documentation to ease the retrieval and response process.				
15	FY2020 Financial Statement Audit	The Commission should continue to implement the actions identified in its corrective action plan relating to employee payroll and benefits, dated September 30, 2020.	8/31/2022	Open	CFO	CAP in place
16	FY2020 Financial Statement Audit	Ensure that new obligations are recorded only within the current FY, as required by law *(Repeat finding from 2019 Financial Statement Audit)*.	10/31/2021	Open	CFO	CAP in place
17	FY2020 Financial Statement Audit	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) *(Repeat finding from 2019 Financial Statement Audit)*.	10/31/2021	Open	CFO	CAP in place
18	FY2020 Financial Statement Audit	Ensure that all obligations recorded to the general ledger are properly supported (i.e., the obligated amount recorded agrees to the obligating document) *(Repeat finding from 2019 Financial Statement Audit)*.	10/31/2021	Open	CFO	CAP in place
19	FY2020 Financial Statement Audit	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 *(Repeat finding from 2019 Financial Statement Audit)*.	7/31/2021	Open	CFO	Implemented

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
20	FY2020 Financial Statement Audit	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.	3/31/2022	Open	CFO	CAP in place
21	FY2020 Financial Statement Audit	Continue to implement the measures established in the Commission’s corrective action plan relating to budgetary controls, dated September 30, 2020.	3/31/2021	Open	CFO	Implemented
22	FY2020 Financial Statement Audit	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.	9/30/2022	Open	CFO	CAP in place
23	FY2020 Financial Statement Audit	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.	9/30/2022	Open	CFO	CAP in place
24	FY2020 Financial Statement Audit	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.	10/31/2021	Open	CFO	CAP in place

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
25	FY2020 Financial Statement Audit	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.	10/31/2021	Open	CFO	CAP in place
26	FY2020 FISMA	The Commission should follow their vulnerability remediation policies.	3/31/2021	Overdue	CIO	CAP in place
27	FY2020 FISMA	Scanning should be run on a monthly basis, however if there are medium and/or high vulnerabilities, then they should be remediated, and the scan should be repeated and run again.	3/31/2021	Overdue	CIO	CAP in place
28	Program Fee	We recommend the Commission require the Commission Staff to develop and implement effective policy and procedures on the Program Fee Ceiling criteria and methodology for determining the fee ceiling on the CNAs including aligning legacy and draft policy with the criteria in the Cooperative Agreements.	11/30/2021	Open	PMO	CAP in place
29	Program Fee	The Commission should follow GAO 14-704G, Standards for Internal Control in the Federal Government, Principles 10-15. The principles will assist the Commission to develop, design, and implement timely guidance that is supported by quality information.	11/30/2021	Open	PMO	CAP in place
30	Program Fee	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.	11/30/2021	Open	PMO	CAP in place

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

Appendix A

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
31	Program Fee	In order to support and inform decision-making processes and ensure effective and greater communication and reporting on the analysis being completed, the Commission should review and analyze the Fee and Expenditure Reports and other materials received from the CNAs for opportunities to use a variety of analytical, research, and evaluation methods.	11/30/2021	Open	PMO	CAP in place
32	Cooperative Agreement Audit	We recommend the Commission implement better practices for the QASP process that includes additions to the QASP plan or a separate procedure that outlines how the QASP and KPI measurements are developed and the basis for measurements.	11/30/2021	Open	PMO	CAP in place
33	Cooperative Agreement Audit	We recommend the Commission to complete a work force analysis to determine staffing requirements based on major mission activities.	11/30/2021	Open	PMO	CAP in place
34	Cooperative Agreement Audit	We recommend the Commission to Ensure the Commission's Agreements are harmonized with compliance enforcement protocol to ensure they are capable of meeting the regulatory requirements of the Agreements by the Commission and CNAs.	12/31/2021	Open	PMO	CAP in place
35	Cooperative Agreement Audit	We recommend the Commission review and assess the requirements of the deliverables listed in Section G, attachment 1 of the Agreements, to determine if there are opportunities to reduce the volume and enhance the preparation effectiveness.	11/30/2021	Open	PMO	CAP in place
36	Cooperative Agreement Audit	We recommend the Commission to review and analyze the Fee and Expenditure Reports and other materials received from the CNAs for opportunities to use a variety of analytical, research, and	11/30/2021	Open	PMO	CAP in place

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
		evaluation methods to support an informed decision-making process.				
37	Cooperative Agreement Audit	We recommend the Commission to ensure that responses to follow up questions from CNAs have been addressed and included in the reports prior to sending the Fee and Expenditure Reports to Congress.	10/5/2020	Overdue	PMO	CAP in place
38	Cooperative Agreement Audit	We recommend the Commission to ensure the CNAs have access to clear and complete guidance to follow when responding to Commission requests, enforcing the Commission's regulatory requirements, and meeting the requirements of the Agreements.	12/31/2021	Open	PMO	CAP in place
39	Audit of Project Assignment and Allocation of Orders	Develop programmatic guidance on the interim pilot test program goals and provide it to the CNAs to help ensure the program achieves its goals, consistent with Standards for Internal Controls in the Federal Government. This includes: a. Clarify its authority for conducting the pilot program to address recent federal court decisions that questioned whether the Commission has this authority. b. Clarifying whether the CNAs need to update their project distribution polices to incorporate the changes for the pilot test program.	9/30/2021	Open	PMO	Implemented
40	Audit of Project Assignment and Allocation of Orders	Update policy 51.301 to include clarifying the meaning of equitable and transparent distributions, consistent with Standards for Internal Controls in the Federal Government and prior GAO recommendations.	3/31/2022	Open	PMO	CAP in place

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
41	Audit of Project Assignment and Allocation of Orders	Review and address the outstanding issues identified during the Commission's 2017 review to ensure NIB's project assignment policy aligns with Commission policy 51.301.	3/31/2022	Open	PMO	CAP in place
42	Audit of Project Assignment and Allocation of Orders	Ensure that NIB completes its order allocation policy and provide sufficient guidance to NIB to ensure that this policy aligns with Commission policy 51.301.	3/31/2022	Open	PMO	CAP in place
43	Audit of Project Assignment and Allocation of Orders	Require the CNAs to include specific criteria for considering the size of NPAs in their recommendation decisions. As part of this, develop metrics for assessing the CNAs on the equitable distribution of projects and monitor progress on an annual basis, consistent with the Standards for Internal Controls in the Federal Government.	3/31/2022	Open	PMO	CAP in place
44	Audit of Project Assignment and Allocation of Orders	Conduct a study to determine whether a different mix of different sized NPAs could help increase the number of people employed through the program and their total work hours.	12/31/2021	Open	PMO	CAP in place
45	Audit of Project Assignment and Allocation of Orders	Identify metrics for assessing transparency and monitor progress on annual basis, consistent with the Standards for Internal Controls in the Federal Government.	3/31/2022	Open	PMO	CAP in place
46	Audit of Procurement List Additions Process	Develop a systematic approach to reviewing and updating policies and procedures every five years as needed in accordance with policy 51.101 including documentation of the review performed, whether updates are needed, and the prioritization of identified updates.	11/30/2021	Open	PMO	CAP in place
47	Audit of Procurement List Additions Process	Update D&F policy 51.207 to improve transparency by clearly stating its use, purpose, and implementation including how D&F	12/31/2021	Open	PMO	CAP in place

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
		authority delegated to designated Commission staff is required to be approved by Commission members, documented, and periodically updated.				
48	Audit of Procurement List Additions Process	Review and evaluate the D&F thresholds, and the eight (8) other criteria for assessing whether using D&F approval authority is appropriate, in determining whether the risk tolerance for the volume of D&F approvals is at an acceptable level.	12/31/2021	Open	PMO	CAP in place
49	Audit of Procurement List Additions Process	Monitor the annual use of D&F authority to include restarting the regular reporting to Commission members about the use of this authority.	7/1/2021	Open	PMO	Implemented
50	Audit of Procurement List Additions Process	Develop comprehensive written documentation of the procedures performed by Commission staff for reviewing and evaluating PL additions including the approval process under D&F authority.	7/31/2022	Open	PMO	CAP in place
51	Audit of Procurement List Additions Process	Complete in a timely manner the implementation to update the middleware software to facilitate the upgrades of the outdated vendor software and implement system patches or security updates as warranted.	6/26/2021	Open	PMO	Implemented
52	Audit of Procurement List Additions Process	Update the Commission's contingency plan to include an offsite or alternative recovery location for PLIMS in the event of a natural disaster or catastrophic incident.	12/31/2021	Open	PMO	CAP in place
53	Audit of Procurement List Additions Process	Review existing enhancements to PLIMS and determine any other enhancements needed to improve the PL additions process. The review should include documenting these processes, prioritizing enhancements, and establishing a timeline for implementation.	3/31/2022	Open	PMO	CAP in place

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

No.	Report Short Name	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office[1]	Recommendation Progress (Per Agency)
54	Audit of Procurement List Additions Process	Review the process for extracting and tabulating data to assess the CNAs' performance including new PLIMS data fields and standard reports. The review should include documenting these processes, prioritizing enhancements, and establishing a timeline for implementation.	3/31/2022	Open	PMO	CAP in place
55	Audit of Procurement List Additions Process	Evaluate the security and functionality of PLIMS after enhancements are completed and determine whether the upgraded version of PLIMS addresses the Commission's needs or should be replaced.	9/30/2023	Open	PMO	CAP in place
56	Audit of Procurement List Additions Process	Establish and document a process to ensure final PLIMS data files and other calculations supporting the metrics in assessing and reporting the CNAs' performance on PL additions and other PL transactions are maintained in a centralized location; and all assumptions, adjustments, and decisions made to adjust CNA final metric ratings based on the calculated results are documented.	12/31/2021	Open	PMO	CAP in place
57	Audit of Procurement List Additions Process	Establish and document a process to evaluate the PLIMS information for new metrics prior to including the new metrics in the CNAs' QASPs.	12/31/2021	Open	PMO	CAP in place
58	Audit of Procurement List Additions Process	Identify metrics for assessing the efficiency and effectiveness of the PL additions process and monitor progress on an annual basis. This should include tracking approval rates for PL additions separately as well as end-to-end cycle times for completing a PL addition for products and services under full Commission voting process and D&F authority.	6/30/2022	Open	PMO	CAP in place

Table 2: Closed During Current Period (July 31, 2021 to September 30, 2021)

No.	Report Short Name	Recommendation	Close Date	Current Status	Responsible Office[2]
1	FY2020 Financial Statement Audit	Request that the service provider 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 agencies subject to the Accountability of Tax Dollars Act (ATDA) (Repeat finding from 2019 Financial Statement Audit).	8/10/2021	Closed	CFO
2	FY2020 Financial Statement Audit	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.	8/10/2021	Closed	CFO
3	FY2020 Financial Statement Audit	Commission management should record the proposed adjusting entries in order to correct the errors identified.	9/30/2021	Closed	CFO
4	FY2020 FISMA	The Commission should identify any deficiencies (through the development of the SSP) and they should be documented on the SAR.	9/30/2021	Closed	CIO
5	FY2020 FISMA	Once the SAR is completed, the Accrediting Official (AO) should sign off on the SAR indicating their acceptance of risk for this system to be in a production environment.	9/30/2021	Closed	CIO

[2] Legend for Responsible Office is as follows:
CFO – Office of the Chief Financial Officer
CIO – Office of the Chief Information Officer
PMO – Director of the Program Management Office

AbilityOne Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2021

No.	Report Short Name	Recommendation	Close Date	Current Status	Responsible Office[2]
6	FY2020 FISMA	All deficiencies identified on the SAR should then be categorized by risk (low, medium, and high) and then formalized POA&Ms should be created. The POA&Ms should contain the hours needed to remediate the deficiency, personnel required, timeline, and cost.	9/30/2021	Closed	CIO
7	FY2020 FISMA	IT should ensure that backed up data is encrypted.	9/30/2021	Closed	CIO
8	FY2020 FISMA	All users should have their IDs automatically disabled after a period of 90 days of inactivity.	9/30/2021	Closed	CIO
9	FY2020 FISMA	Finalize the Mobile Device Policy and ensure that users of the systems adhere to the stipulations outlined within the Policy.	9/30/2021	Closed	CIO
10	FY2020 FISMA	Ensure that IT finalizes the Enterprise Architecture Policy and then disseminates it to appropriate personnel.	9/30/2021	Closed	CIO
11	Program Fee	We recommend the Commission require the Commission Staff, to work jointly with the CNAs to issue and implement a policy on the methodology for the CNAs to calculate the Program Fee.	9/30/2021	Closed	PMO

Table 3: Closed Prior to July 30, 2021

No.	Report Short Name	Recommendation	Close Date	Current Status	Responsible Office[3]
1	FY2019 Financial Statement Audit	We recommend that the Commission management 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.	11/15/2020	Closed	CFO
2	FY2020 Financial Statement Audit	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.	6/30/2021	Closed	CFO

[3] Legend for Responsible Office is as follows:
CFO – Office of the Chief Financial Officer
CIO – Office of the Chief Information Officer
PMO – Director of the Program Management Office

AbilityOne Office of Inspector General (OIG)
898 Panel Recommendations

Appendix B

#	Recommendation	Complete
	Subcommittee One: Inspector General	
1	Implement existing policy by DoD requiring Contracting Officers to check the AbilityOne PL, 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	
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 Three: Employment Initiatives (merged with Subcommittee Five to form Subcommittee Eight)	
	Subcommittee Four: Laws and Regulations	
6	Amend the JWOD Act's 75 percent 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 JWOD 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	Now incorporated into Recommendation Six
8	Amend the JWOD 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 Five: Veterans Eligibility (merged with Subcommittee Three to form Subcommittee Eight)	
	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 NPAs, and for veteran employment opportunities in DoD contracts with AbilityOne NPAs	✓
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 Code of Federal Regulation (CFR) 51 to include information regarding undesignation of CNAs and deauthorization of NPAs as the authorized source on the PL	

#	Recommendation	Complete
	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 Information Technology (IT) solution either utilizing a system where the 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 Defense Federal Acquisition Regulation Supplement (DFARS) (Procedures, Guidance, and Information [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 PL	
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	✓
	Subcommittee Eight: Employment and Veterans Eligibility	
22	Change the Commission's regulation for initial qualification for NPAs to participate in the AbilityOne Program to include employment criteria of at least minimum wage comparable to coworkers, a work setting that is inclusive of people with and without disabilities, and opportunities for advancement	
23	Develop actions to ensure opportunities for CIE outcomes of individuals who are blind or who have significant disabilities, which include veterans and the referrals from other Federal agencies	
24	Require CNAs to develop a certificate-based training program for individuals certifying an individual's eligibility to work on AbilityOne Program contracts, consider accepting electronic medical documents securely transmitted from Federal and State vocational rehabilitation agencies, and adopt a standardized form approved by Office of Personnel Management (OPM)	
25	Recommend criteria for veterans with disabilities to be eligible for employment opportunities through the programs of the U.S. AbilityOne Commission that consider the definitions of disability used by the Secretary of Veterans Affairs and the U.S. AbilityOne Commission	

ETHICS PROGRAM INSPECTION REPORT

Agency: U.S. Ability One Commission

Report No.: 20-50I	Date: September 29, 2020

Period Covered by Review: January 1, 2019 through December 31, 2019

UNITED STATES OFFICE OF GOVERNMENT ETHICS

Preventing Conflicts of Interest in the Executive Branch

RECOMMENDATIONS

#	Element	RECOMMENDATION	Compliance Due
1	3.1	RECOMMENDATION: Update the agency's written procedures for public financial disclosure to address how the agency handles the collection, review and certification of termination public financial disclosure reports. OGE also recommends that these procedures be updated to reflect that the ADAEO position is the one responsible for the review and certification of the DAEO's public report. AGENCY RESPONSE: The DAEO will coordinate with the Commission's Chief of Staff and OGE Desk Officer to draft written procedures for agency, collection, review and certification of termination public financial disclosure reports. The DAEO has drafted language for the Executive Director's approval to address this recommendation.	November 2020
2	3.4	RECOMMENDATION: Collect the $200 late filing fee from the Executive Director as a result of the 2019 public financial disclosure report being filed late. AGENCY RESPONSE: The Agency is in the process of depositing the late fee collected from the Executive Director for the late filing for the 2019 report (covering 2018) which was filed on August 17, 2020. There is no late fee due for the 2020 report as the Executive Director had an extension through August 13, 2020. The Executive Director filed the 2020 278 report on August 20, 2020, within 30 days of the last extension. Pursuant to 5 C.F.R. § 2634.704(a)(2), no late fee is owed.	November 2020
3	3.12,3.13	RECOMMENDATION: Ensure all public reports are reviewed and certified within 60 days of receipt. AGENCY RESPONSE: The DAEO has received 278 reports for 2020 as of August 13 and August 20, 2020, and will ensure they are reviewed and certified within 60 days. Additionally, the DAEO received the Executive Director's 2019 report as of August 17 and will review and certify it within 60 days.	November 2020
4	4.9, 4.10	RECOMMENDATION: Review and certify all confidential reports filed in 2019 and 2020. AGENCY RESPONSE: The DAEO and ADAEO will complete all reviews by November 2020.	November 2020

ETHICS PROGRAM INSPECTION REPORT

Agency: U.S. Ability One Commission

Report No.: 20-50I | Date: September 29, 2020

Period Covered by Review: January 1, 2019 through December 31, 2019

UNITED STATES OFFICE OF GOVERNMENT ETHICS
Preventing Conflicts of Interest in the Executive Branch

5	5.1 – 5.5	RECOMMENDATION: Ensure that all written offers of employment meet the requirements of 5 C.F.R. § 2638.303. AGENCY RESPONSE: The DAEO will coordinate with the Commission's Chief of Staff and OGE Desk Officer to ensure the GSA HR Shared Service Provider inserts the appropriate language in the written offer letters for Commission employees.	March 2021
6	5.6, 5.8	RECOMMENDATION: Develop written procedures for issuing notices to prospective employees and ensure that prospective employees receive the notices, as required by 5 C.F.R. § 2638.303. AGENCY RESPONSE: Again, the DAEO will coordinate with the Commission's Chief of Staff and OGE Desk Officer to develop procedures for the GSA HR Shared Service Provider to provide the appropriate notices to prospective employees.	March 2021
7	6.1 – 6.4	RECOMMENDATION: Ensure that all written notices to new supervisors meet the requirements of 5 C.F.R. § 2638.306. AGENCY RESPONSE: The DAEO will coordinate with the Commission's Chief of Staff and OGE Desk Officer to ensure the GSA HR Shared Service Provider inserts the appropriate notices to new Commission supervisors.	March 2021
8	6.5	RECOMMENDATION: Develop written procedures for issuing notices to new supervisors and ensure supervisors receive the notices as required by 5 C.F.R. § 2638.306. AGENCY RESPONSE: The DAEO will coordinate with the Commission's Chief of Staff and OGE Desk Officer to develop procedures for the GSA HR Shared Service Provider to provide the appropriate notices to Commission supervisors.	March 2021
9	7.3	RECOMMENDATION: Establish written procedures for initial ethics training as required by 5 C.F.R. § 2638.304(f). Agency Comment: The DAEO will coordinate with the Commission's OGE Desk Officer to develop written procedures for initial ethics training as required by 5 C.F.R. § 2638.304(f).	March 2021
10	8.0, 10.0	RECOMMENDATION: Ensure that all Commission covered employees, including all Commission private members, receive the required annual ethics training by the end of 2020. Agency Comment: The DAEO and ADAEO will complete annual ethics training for the Commission covered employees, including the Commission private members, by the end of 2020.	December 2020

Appendix: Procurement List Additions FY 2021

Products and services added to the AbilityOne Procurement List in FY 2021 include (but are not necessarily limited to):

Products

- 3D Printer Filament
- Army Green Service Uniform, Men's Dress Coats
- Army Green Service Uniform, Women's Dress Coats
- Battery, Non-rechargeable
- Combat Knife, Tanto Point
- Doorstops, Wedge-Style, Rubber
- EPA-Certified Manual Dish Soap
- EPA-Certified Warewash Products
- Everywhere System Instant Hand Sanitizers
- Hard Surface Disinfectant
- Military Resale, Reading Sunglasses
- Military Resale, Refrigerator Freshener Shipper
- Oral Rehydration Salts
- Parboiled Rice 4/10 lb.
- Universally Sized Face Mask – BGR

Services

- 3PL Support Services, ACC-APG, Aberdeen Proving Ground, MD, Dept. of the Army
- Administrative and HR Support Service, MSC - Norfolk, Multiple Locations, Dept. of the Navy
- Base Operation Support Services, Air Station Barbers Point, Kapolei, HI, U.S. Coast Guard
- Base Supply Center and Retail Gift Shop, ATF Acquisition and Property Mgmt. Div.
- Base Supply Center, Sierra Army Depot, CA, Dept. of the Army
- Base Supply Center, Vance AFB, OK, Dept. of the Air Force
- Contractor Operated Civil Engineer Supply Store, Whiteman AFB, MO, Dept. of the Air Force
- Contractor Operated Parts Store, USMC, Marine Corps Base Hawaii, Kaneohe Bay, HI, Dept. of the Navy

- Custodial and Grounds, U.S. Border Patrol - San Diego Sector, Chula Vista, CA, U.S. Customs and Border Protection
- Custodial and Related Services, Josiah House Courthouse, Charleston, SC, Public Buildings Service
- Custodial and Related Services, Bricker Federal Building Garage, Columbus, OH, Public Buildings Service
- Custodial Service, Peterson Air Force Base & Cheyenne Mountain Air Force Station, CO, Dept. of the Air Force
- Custodial Service, Cannon Air Force Base, NM, Dept. of the Air Force
- Custodial, Lackland Training Annex, Kelly Annex, Joint Base San Antonio, TX, Dept. of the Air Force
- Custodial, Robins North Complex, Macon, GA, Dept. of the Air Force
- Document Management, St. Louis, MO, National Geospatial-Intelligence Agency
- Facility Maintenance Support, USMS Headquarters, Arlington, VA, U.S. Marshals Service
- Facility Management, AIT Dormitories, Sheppard AFB, TX, Dept. of the Air Force
- Facility Support Services, National Capital Area, Washington, D.C., National Park Service
- Facility Support Services, Marrowstone Marine Field Station, Nordland, WA, U.S. Geological Survey
- Filter Maintenance, NAVFAC, Naval Station Great Lakes, IL, Dept. of the Navy
- Furniture Design, Configuration & Installation, U.S. Census Bureau
- Grounds Maintenance, CVG ATCT, Erlanger, KY and CVG VORTAC, Burlington, KY, Federal Aviation Administration
- Grounds, U.S. Army Communications-Electronics Command HQ, Aberdeen Proving Ground, MD, Dept. of the Army
- Janitorial Service, Hanford Site and Richland North Areas, Richland, WA, Dept. of Energy
- Janitorial Service, Norfolk ATCT Virginia Beach, VA, & Patrick Henry Field ATCT Newport News, VA, Federal Aviation Administration
- Janitorial Service, ATCT, Roanoke, VA, Federal Aviation Administration
- Janitorial Service, Denver ATCT & Base Bldg., TRACON & Generator Bldg., Denver, CO, Federal Aviation Administration
- Janitorial Service, Portland ATCT/SSC, Portland, ME, Federal Aviation Administration
- Laundry Service, 171 ARW, ANG, Aircrew Alert Facility, Coraopolis, PA, Dept. of the Army
- Laundry Service, Alabama Army National Guard, Montgomery, AL, Dept. of the Army
- Mailroom & Copy Center Operation, Washington, D.C., Consumer Financial Protection Bureau

NOTES

[1] For recent data see Department of Labor, Bureau of Labor Statistics, "Persons with a Disability: Labor Force Characteristics Summary – 2020." https://www.bls.gov/news.release/disabl.nr0.htm (retrieved November 14, 2021). See also Department of Labor, Office of Disability Employment Policy, Disability Employment Statistics https://www.dol.gov/agencies/odep/research-evaluation/statistics (retrieved November 14, 2021).

[2] Most data contained in this document is from FY 2020, due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2021 data will be highlighted.

[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.

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

[5] This FY 2020 number is lower than previous years due to the impact of the COVID-19 pandemic.

[6] "AbilityOne Flexibilities Related to the Coronavirus (COVID-19) Emergency and Recovery for the Duration of Fiscal Year 2021"

[7] The language of this objective has been updated to be consistent with the Cooperative Agreements.

[8] The Cooperative Agreements establish the governing relationship, and roles and responsibilities, of the Commission and the CNAs in their respective roles within the AbilityOne Program.

[9] The Program Fee is a fee that Commission-designated CNAs are authorized by Commission regulation and their Cooperative Agreements to collect from authorized NPAs to facilitate the latter's participation in the AbilityOne Program. The Program Fee contributes to the overall financing of the non-appropriated portion of the AbilityOne Program.