

**U.S. ABILITYONE COMMISSION**  
**FISCAL YEAR 2023**  
**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

The U.S. AbilityOne Commission's Performance and Accountability Report for FY 2023 reflects the Commission's unwavering commitment to modernizing the AbilityOne Program.

The Commission oversees the AbilityOne Program, through which more than 36,000 people 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.

Major actions taken by the Commission in FY 2023 continued to focus on modernization and transformation while improving stewardship and advancing equity.

- Delivering on a 2019 commitment to end its use of subminimum wages across the AbilityOne Program, in FY 2023 the Commission confirmed that every single person employed to work on an AbilityOne contract is paid at least the Federal minimum wage, the applicable local or state minimum wage, or the applicable prevailing wage – whichever is highest.

Successfully implementing the rule "[Prohibition on the Payment of Subminimum Wages Under 14\(c\) Certificates as a Qualification for Participation as a Nonprofit Agency Under the Javits Wagner O'Day Act](#)" sends a message that the work of people with disabilities should be valued equally with that of others.

- Ensuring AbilityOne Program modernization by continuing to implement the [FY 2022-2026 Strategic Plan](#), the roadmap for accomplishing the Commission's priorities over the next five years. The plan incorporates the recommendations of the [2017 NDAA Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity](#).
- Responding to Federal customer priorities by beginning a [formal rulemaking process](#) to support limited competition in the AbilityOne Program by publishing a [Notice of Proposed Rulemaking](#) in the Federal Register. The rule is designed to increase transparency, incentivize performance, and ensure that the Program remains a trusted source of supply and services for Federal agencies, while creating and maintaining jobs for people who are blind or have significant disabilities.

- Implementing a [policy](#) requiring that nonprofit agencies purchase and use AbilityOne products when performing services on AbilityOne contracts. The policy helps to create and sustain jobs while affirming that AbilityOne products are reasonably priced and of high quality.
- Improving the Procurement List Information Management System (PLIMS) by awarding a [contract](#) to modernize this 15-year-old legacy technology – the primary information and decision-making support system for the AbilityOne Program. PLIMS modernization is made possible by a \$1.78 million TMF [investment](#) received in October 2022,
- Awarding a [contract](#) to develop substantive content for workforce development activities that will provide the basis for oversight of AbilityOne-participating nonprofit agencies and to identify resources to assist non-profit agencies in providing workforce development activities for employees who are blind or have significant disabilities.
- Actively engaging with and listening to Commission stakeholders and critics, including through quarterly public meetings with meaningful engagement topics. Expanding transparency and stakeholder engagement to increase trust and confidence in the AbilityOne Program by delivering on a theme of “Promises Made, Promises Kept.”
- Closing 31 financial statements audit recommendations during FY 2023. Separately, the Commission closed 9 recommendations related to performance audits of the AbilityOne Program, as well as 2 FISMA audit recommendations. Together, these closures represented approximately 45% of the open audit recommendations.

We again received, from independent auditors, an unmodified or “clean” opinion on our financial statements for FY 2023. There was no reportable noncompliance for FY 2023 with all applicable laws and regulations.

The Commission reached its full statutory complement of 15 Presidential appointees in FY 2023. Under this strengthened leadership, the agency will continue its focus on transformation and stewardship.

Sincerely,

DocuSigned by:  
  
21BD80B9E8AC4A0..  
Jeffrey A. Koses

Chairperson and Presidential Appointee

November 15, 2023

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# 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 36,000 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 creates jobs for people who are blind or have significant disabilities, a group that has historically experienced the lowest employment rate of any segment of U.S. society.<sup>1</sup> The Program's significance can be measured not only in the financial benefits and social value to this group of employees, but in the broader positive economic impact at the national, state, and local levels as well.

The Commission's FY 2022 – 2026 Strategic Plan serves as a roadmap for the modernization of the AbilityOne Program in critical areas including identifying, publicizing, and supporting good and optimal jobs; ensuring effective governance and results across the Program; and building partnerships with other Federal agencies to increase employment of people who are blind or have significant disabilities.

The AbilityOne Program provided nearly \$4 billion in products and services to the Federal Government in FY 2022.<sup>2</sup> AbilityOne employees work nationwide at approximately 450 nonprofit agencies (NPAs), from Guam to Maine.

Growing jobs for people with disabilities, and particularly veterans with disabilities, 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 2,500 wounded, ill or injured veterans work in direct labor jobs in the AbilityOne Program. In addition, AbilityOne NPAs employ nearly 4,000 veterans – some with disabilities -- work in indirect labor positions, including supervisory and management roles. In total, approximately 6,500 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 \$24 billion in unused contract funds that can be returned to the U.S. Treasury

## **1.2. Mission and Vision**

### **Mission**

To tap America's underutilized workforce of individuals who are blind or have significant disabilities to deliver high quality, mission-essential products and services to Federal agencies in quality employment opportunities.

### **Vision**

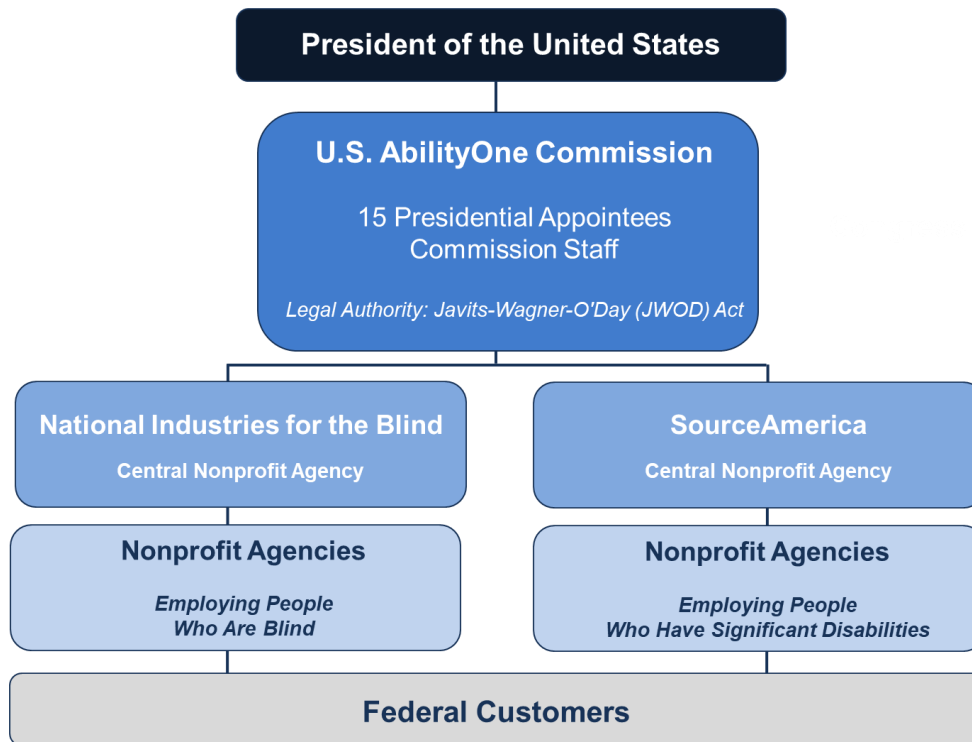
Remain a trusted source of supply and services for Federal agencies while creating quality employment opportunities across all economic sectors for people who are blind or have significant disabilities.

## **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. The Committee began operating as the U.S. AbilityOne Commission in 2011.

## 1.4. Program Structure and Responsibilities

### Organizational Overview



#### *Presidential Appointees*

The Commission reached its full statutory complement of 15 Presidential appointees as the result of President Biden appointing eight Federal agency members in FY 2023.

The most recent [appointment](#) was the Air Force representative in July 2023. In October 2022, the President [appointed](#) seven Federal agency members. In August 2021, the President [appointed](#) four private citizens.

The Commission consists of 11 Federal agency members, as well as four private citizen members who 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 Federal government agency is a senior procurement official with decades of experience in acquisition and procurement, a senior official knowledgeable on personnel issues, or a disability employment policy expert responsible for related programs in their own agency. Each private citizen appointee is an individual with a disability and with broad knowledge of the employment problems facing people who are blind or have significant disabilities.

### ***Commission Staff***

The Commission operates as an independent agency of the Federal Government with 34 full-time equivalent (FTE) employees (as of September 30, 2023). The Commission staff maintains Agency operations and prepares materials required by law, regulations, 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. OIG has 8 FTEs, as of September 30, 2023.

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).<sup>3</sup>
- 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, policies, and procedures.
- Assisting Federal agencies to expand procurement from NPAs participating in the AbilityOne Program and monitoring the compliance of both Federal agencies and nonprofit agencies with Commission regulations, policies, and procedures.
- Designating CNAs, and providing guidance to them that facilitates 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 450 NPAs participating in the AbilityOne Program.

### **Commission Members**

The following Presidential appointees served as Commission members in FY 2023:

Jeffrey A. Koses (SES)  
Chairperson  
Senior Procurement Executive  
General Services Administration

Chai Feldblum  
Vice Chairperson  
Private Citizen

Bryan Bashin  
Private Citizen

Matthew R. Beebe (SES)\*  
Director of Acquisition, Defense Logistics Agency  
Department of Defense

Angela Billups (SES)\*  
Executive Director, Office of Acquisition and Logistics  
Department of Veterans Affairs

Christina Brandt  
Private Citizen

Scott R. Calisti (SES)\*\*  
Associate Deputy Assistant Secretary (Contracting)  
Department of the Air Force

Gabriel M. Cazares  
Private Citizen

Megan Dake (SES)\*  
Deputy Assistant Secretary (Procurement)  
Department of the Army

Carol L. Dobak (SES)\*  
Deputy Commissioner, Rehabilitation Services Administration  
Office of Special Education and Rehabilitative Services  
Department of Education

Robert D. Hogue (SES)\*  
Acting Assistant Secretary (Manpower & Reserve Affairs)  
Department of the Navy

Tara M. Jamison (SES)\*  
Deputy Senior Procurement Executive and Director  
Office of Acquisition Management  
Department of Justice

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

Malcom A. Shorter (SES)\*  
Deputy Assistant Secretary for Administration  
Department of Agriculture

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

\* Appointed by President Biden effective October 18, 2022

\*\* Appointed by President Biden effective July 19, 2023

### **Commission Meetings**

Commission public meetings are held quarterly; however, special meetings may be called by the Chairperson at any time. FY 2023 Commission public meetings were virtual as follows:

October 25, 2022 (~260 attendees)

January 31, 2023 (~440 attendees)

April 13, 2023 (~225 attendees)

July 13, 2023 (~220 attendees)

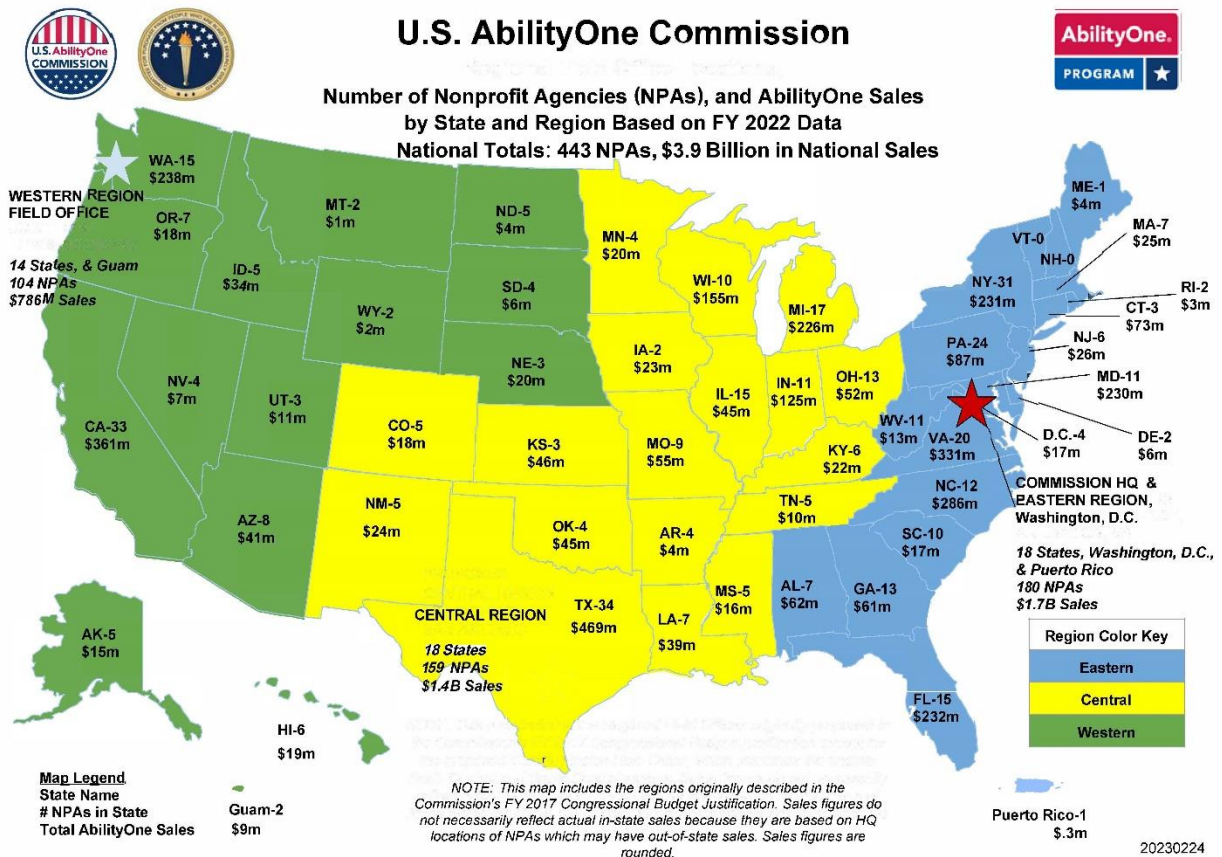
Additionally, the Commission held the following virtual event for stakeholders to provide feedback on three draft compliance policies that the agency had issued in January 2023:

March 29, 2023 - Town Hall (~275 attendees)

## 1.5. Performance Highlights

Most data contained in this document is from FY 2022 due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2023 data is used.

AbilityOne People and Numbers – FY 2022	
AbilityOne employees who are blind or have significant disabilities	36,000
AbilityOne wages paid	\$666.4 million
Estimated Health and Welfare Fringe Benefits (in addition to wages)	\$150 million
Average hourly wage	\$16.09
Cost per job (Commission FY 2022 \$11 million budget ÷ 36,000 jobs)	\$306
Sales of products and services to Federal customers	\$3.9 billion
Wounded, ill, or injured veterans working in AbilityOne direct labor jobs	2,500
AbilityOne-participating nonprofit agencies open during pandemic	95%
Outward placements from AbilityOne contracts	1,612
Upward promotions within AbilityOne contracts	1,953

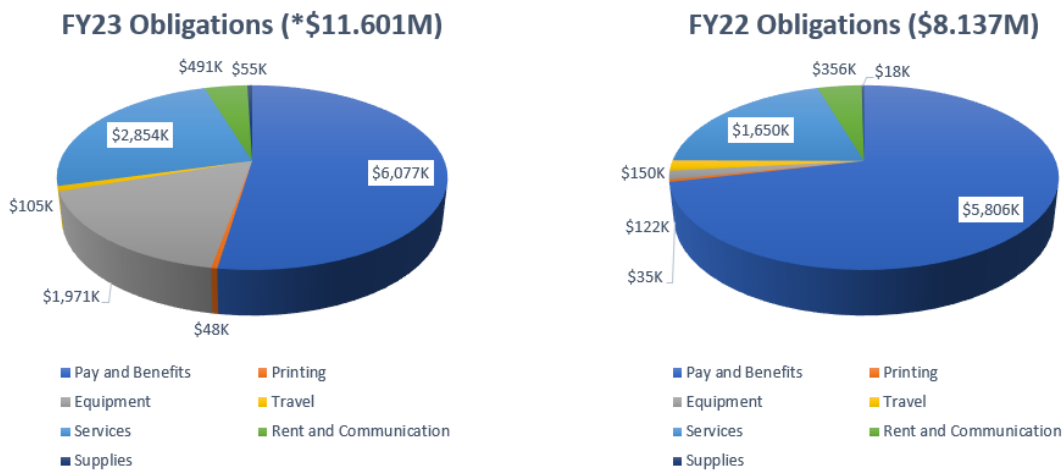


## 1.6. Analysis of Financial Statements and Stewardship Information

### 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.

The Agency obligations shown below indicate that the most significant difference between FY 2023 (\$11,601,000) and FY 2022 (\$8,137,000) was the change in Personnel and Benefits (\$542,000 increase), Equipment (\$1,773,000 increase), and Services (\$700,000 increase). The increase in Personnel and Benefits was due to an approximately 12% increase in staff headcount. The Equipment increase was due primarily to the Agency’s receipt of investment resources from the Technology Modernization Fund (TMF) to support PLIMS 2.0 modernization. The increase in Services was due to project development support for PLIMS 2.0, as well as support services to develop the content for workforce development activities that will be part of the basis for oversight of nonprofit agencies participating in the AbilityOne Program.



\*Includes \$1,686K from Technology Modernization Fund for PLIMS 2.0

## 1.7. Analysis of Systems, Controls and Legal Compliance



### **FY 2023 Management Assurance Statement**

The U.S. AbilityOne Commission (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 an unqualified statement of assurance considering the Independent Auditor, Harper, Rains, & Knight Company issued an unmodified audit opinion in its FY2023 audit report. The system of internal controls of this agency is functioning and provides reasonable assurance as to the efficiency and effectiveness of programs and operations; reliability of financial reporting; and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA).

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. The Commission continues to improve 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 utilizes a Funds Control Officer to certify the availability of funds prior to Agency obligations and expenditures. This system of control as part of its Administrative Control of Funds policy ensures compliance with the Anti-deficiency Act. The Commission also enhanced its contract administration procedures to strengthen DATA Act compliance, as well as closing four open audit recommendations.

3. The Commission received an unmodified opinion in the FY 2023 financial statements audit report. The Agency implemented and completed corrective actions in FY 2023 to improve internal controls of funds management, obligation, and payment processes. (Prior year findings of non-compliance with laws and regulations were reported in the FY 2023 financial statements audit – see Section 3 (Financial Section) of the Commission's FY 2023 Performance and Accountability Report.)

The Commission will continue its focus on properly assessing and updating its management control structure to remediate the findings noted in the recent audits, in accordance with the guidance in OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Agency 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. Except as noted in our assessment and findings documented below in the Description of Independent Auditor's Findings section of this Management Assurance Statement, the Commission maintains accountability for assets and provides reasonable assurance 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. During the audit of the financial statements for the fiscal year ending on September 30, 2022, the Independent Auditor communicated two material weaknesses and five significant deficiencies to us: (1) a material weakness was identified for corrections for obligations that were not submitted in a timely fashion for recording in the general ledger, and (2) a material weakness was that year-end accrued expenses and liabilities were not correctly estimated or recorded. Significant deficiencies identified were: interim financial statements and footnotes were not prepared in accordance with U.S. GAAP and federal reporting requirements; corrections for known errors and misstatements were not identified or recorded in the general ledger; personnel actions were not accurate, timely, or complete; employee benefits election forms were not maintained in eOPF per OPM requirements; and lack of sufficient internal control over financial reporting relating to upward and downward adjustments of prior year obligations. There was a repeat finding regarding a required communication about non-compliance with laws and regulations related to FY 2019 and FY 2020 Anti-Deficiency Act (ADA) violations for obligating expired funds (which 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. The Auditor also identified a potential ADA violation based on an upward adjustment to an expired fiscal year. The Commission non-concurred on the potential ADA violation based on current OMB regulation and legal precedence supporting the upward adjustment.

2. During the audit of the financial statements for the year ended September 30, 2023, the Independent Auditor communicated one significant deficiency to us: year-end accrued expenses and liabilities were not correctly estimated or recorded. Two additional internal control findings were issued: physical inventory of property was not timely or documented effectively; and

employee benefits election forms were not maintained in eOPF per OPM requirements. These findings were reported as Management Letter Comments. In the current year audit, a repeat finding was included in the Management Letter for non-compliance with laws and regulations related to Anti-Deficiency Act (ADA) violations for obligating expired funds. The prior year ADA finding was issued because the ADA reporting is still proceeding through the OMB clearance process.

Handwritten signature of Kimberly M. Zeich in black ink.

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.

### *Strategic Plan for FY 2022-2026*

- Commission progress in FY 2023 aligned with the [FY 2022-2026 Strategic Plan](#), which the agency continues to advance via its [implementation plan](#).
- The Strategic Plan contains updated mission and vision statements that reinforce the purpose of the AbilityOne Program. It also includes [outcome goals, strategies and performance measures](#) that clearly communicate the Commission's direction and resource prioritization.
- The Commission developed its Strategic Plan in a manner that ensured stakeholder and public input.
  - On March 18, 2022, the Commission posted a draft strategic plan on the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov). The same day, the Commission published a Federal Register notice opening a public comment and review period.
  - The Commission received, and carefully considered, more than 70 written comments submitted in response to the draft strategic plan.
- The Commission also sought feedback on the plan through the following:
  - Listening Session with organizations that advocate for people with disabilities.
  - Listening Session with self-advocates who have intellectual or developmental disabilities.
  - Town Hall with AbilityOne-participating nonprofit agencies.
  - Meetings with the Commission's designated Central Nonprofit Agencies (CNAs).
- The plan builds on the recommendations of the [2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity](#), as well as recommendations that have been made by disability rights advocates over the years.

### ***Rule "Prohibition on the Payment of Subminimum Wages Under 14(c) Certificates as a Qualification for Participation as a Nonprofit Agency Under the Javits Wagner O'Day Act"***

The rule has been fully implemented. Please see Section 2, Performance Section: Strategic Objective 2.



### ***Legislative proposals to amend Javits-Wagner-O'Day Act sent to Congress***

The Commission took a major step forward in implementing the Strategic Plan when, on April 13, 2023, it transmitted three legislative proposals to Congress to amend chapter 85 of title 41, U.S. Code (the Javits-Wagner-O'Day (JWOD) Act) as follows:

- Change the outdated name of the “Committee for Purchase From People Who Are Blind or Severely Disabled” to the “Commission for the Employment of People Who Are Blind or Have Significant Disabilities” and authorize the Commission to make updates to the name in the future without further legislative action.
- Authorize the Commission to conduct pilot tests to require a lower minimum ratio of direct labor hours performed by employees who are blind or have significant disabilities in order to increase integrated workplaces and enhance employment opportunities for such employees, and to provide data that may inform Congress for purposes of modernizing the JWOD Act.
- Promote efficiency and effectiveness by shortening the required public notice period for Procurement List additions and deletions and provide flexibility to publish the Procurement List in a location other than the Federal Register.

The Commission continues to monitor the status of these legislative proposals.

### ***Proposed Rule “Supporting Competition in the AbilityOne Program”***

- On March 13, 2023, the Commission published a Notice of Proposed Rulemaking (NPRM) in the Federal Register to begin a formal rulemaking process to support competition in the AbilityOne Program.
- The proposed rule “Supporting Competition in the AbilityOne Program” incorporated, in a modified fashion, recommendations from the [FY 2017 NDAA Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity](#) (898 Panel). The panel released its fourth and final [report](#) to Congress in December 2021.
- The rule represents the introduction of limited competition into the AbilityOne Program. It is designed to increase transparency, incentivize performance, and ensure that the Program remains a trusted source of supply and services for Federal agencies, while creating and maintaining jobs for people who are blind or have significant disabilities.
- The Commission has concluded that the significant benefits of the proposed rule to our Federal agency partners outweigh the expected administrative costs involved in NPAs periodically competing with other NPAs in the AbilityOne Program.

- On May 11, 2023, and related to the proposed rule, the Commission issued a [report](#) on the 2018-2019 competition pilot test for AbilityOne Program nonprofit agencies competing for the Facility Support and Operations Services Contract at Fort Bliss, Texas.
- On July 13, 2023, the Commission devoted the public engagement section of its [quarterly public meeting](#) to the competition NPRM. The Commission is currently preparing the final rule in light of the comments received.

***Commission Awards Contract for Developing AbilityOne Program Career Planning Support Resources***

- On Sept. 27, 2023, the Commission announced that it had awarded the Association of People Supporting Employment First (APSE) a \$350,000 contract to develop and recommend career planning support resources for nonprofit agencies participating in the AbilityOne Program.
- Developing and recommending career planning supports aligns with the Commission’s vision of creating quality employment opportunities across all economic sectors for people who are blind or have significant disabilities.
- The contract also supports governmentwide goals of building and using evidence to improve policy, program, budget, operational, and management decision-making.
- The scope of the “AbilityOne Career Planning Support” contract includes developing the necessary components of the workforce development activities of job individualizations, employee career plans, and career advancement programs. The Commission will use this information in its assistance to, and oversight of, the nonprofit agencies engaging in workforce development activities.
- The work will also include identifying qualified professionals, funding streams, and community partners to provide assistance to the nonprofit agencies engaging in workforce development activities.
- The contract supports central tenets of the Commission’s Strategic Plan for FY 2022-2026, particularly its focus on increasing the number of “good jobs.”
- The Commission defines a “good job” in the AbilityOne Program as having 4 attributes:
  1. Individuals with disabilities are paid competitive wages and benefits;
  2. The job matches the individual’s interests and skills (“job individualizations”);
  3. Individuals with disabilities are provided with opportunities for employment advancement comparable to those provided to individuals without disabilities; and

4. Individuals are covered under employment laws.
- The Commission will use the deliverables developed by the contractor to assist nonprofit agencies in creating and sustaining “good jobs,” including through support that will be provided by the central nonprofit agencies designated by the Commission to help administer the Program.

### ***Modernizing Compliance in the AbilityOne Program***

- One of the pillars of the FY 2022-2026 Strategic Plan is modernizing the oversight of NPA compliance to align with Program requirements.
- Driving this modernization process are the following goals for AbilityOne compliance:
  - Protect the integrity of the AbilityOne Program.
  - Ensure that the AbilityOne Program remains a trusted source of supply and services for Federal agencies.
  - Create AbilityOne jobs that provide quality employment and serve as a springboard to upward and outward employment for those employees who desire such career advancement.
  - Ensure compliance with all other statutory and regulatory requirements.
- As a step in the modernization process, on January 27, 2023, the Commission released a series of [new draft compliance policies](#) and invited public feedback by March 15, 2023. (Updated drafts were issued on April 5, 2023, and the deadline for public feedback extended until April 24, 2023.)
- The draft compliance policies are:
  - 51.400 – AbilityOne Commission Compliance Program.
  - 51.403 – Documentation of Initial Evaluation Eligibility on the Basis of Blindness or Significant Disability.
  - 51.405 – Job Individualization, Person-Centered Employment Plans, and Career Advancement Programs.
- During the public feedback period for these policies, the Commission created multiple opportunities for engagement, including a [virtual Town Hall](#) on March 29, 2023.
- Once finalized, these new compliance policies will require a fundamental shift for Commission staff, NPAs, CNAs, and stakeholders.

- For this reason, on February 1, 2023, the Commission paused routine traditional compliance reviews to consider public feedback, retrain staff, develop updated compliance materials for the NPA community, and ensure that the Commission, the NPAs, and the CNAs are in full alignment in the area of compliance.
- While ongoing reporting and corrective actions will continue, the Commission will limit inspections to critical issues during this pause.
- The Commission is well positioned for compliance modernization. Over the prior two years, the Program’s compliance team conducted a review of nearly all NPAs in the Program.
- Lessons learned from those NPA reviews, insights of AbilityOne employees, and dialogue with NPAs and stakeholders informed the drafting of the new compliance policies.
- Next steps in compliance modernization include updating the remaining compliance policies for public feedback, issuing the final set of compliance policies, and developing and entering into revised cooperative agreements with the CNAs.

### ***Modernizing IT and Strengthening Cybersecurity***

- The Commission continues to modernize its IT infrastructure, primarily focusing on:
  - Upgrade of Commission’s antiquated Procurement List Information Management System (PLIMS), made possible by \$1.78 million TMF [investment](#) received in October 2022.
  - Cloud migration of key services, databases, IT resources, and applications to align with the Administration’s strategy to accelerate agency adoption of cloud-based solutions (Cloud Smart), as well as enhance capabilities related to disaster recovery and continuity of operations.
- The Commission awarded a \$1.5 million contract to modernize its 15-year-old Procurement List Information Management System (PLIMS)
  - As part of modernization initiatives aligned with its strategic plan, the Commission [awarded](#) Intellect Solutions LLC of Alexandria, Virginia, a \$1,547,444 firm-fixed price General Services Administration (GSA) schedule task order on September 4, 2023, to develop the next generation of PLIMS -- the primary information and decision-making support system for the AbilityOne Program.
  - The upgrade will improve nearly 2,000 business transactions each year, connect Federal customers with Program partners, improve system accessibility central to the agency mission, and create a more secure technical system with access control and disaster recovery capability.

- The PLIMS upgrade will increase the Commission’s ability to execute its statutory oversight of the AbilityOne Program, and will benefit both nonprofit agencies and the Federal customers who depend on AbilityOne products and services.
- PLIMS 2.0 will be a web-based application, residing on an access-controlled extranet, which leverages a Microsoft-based tool suite and additional commercial off-the-shelf (COTS) components.
- The upgrade will provide the capability to integrate Federal customers with Program partners in the cloud and produce digital products while reducing costs and improving customer experience and accessibility.
- PLIMS modernization will reduce redundancy in data entry, storage, and processing as well as mitigate risk associated with operating and maintaining the 15-year-old PLIMS legacy system.
- This is a one-year base contract with four one-year option periods.

### ***Chief Financial Officer***

As a key part of the Commission’s forward-looking focus, the Agency’s Chief Financial Officer (CFO) has made significant progress on Enterprise Risk Management and other areas. For details, see Section 2.3., Strategic Objective 3.

### ***Office of Inspector General (OIG)***

The Office of Inspector General is the guardian of the integrity of the U.S. AbilityOne Commission and its Program. The OIG mission is to promote economy, efficiency, and effectiveness and to prevent fraud, waste, and abuse. In furtherance of its mission, the IG conducts audits and investigations and regularly delivers reports to Congress and to the head of the Commission about its oversight work. The AbilityOne OIG is growing; OIG has expanded its oversight tools by adding an Evaluations unit, increasing mission capability, with added expertise, flexibility, and options for the OIG operations in FY 2024.

In FY 2023, the OIG issued two semiannual reports to Congress, per the Inspector General Act of 1978, as amended. In FY 2023, the OIG also issued the audit report on the U.S. AbilityOne Commission’s Compliance Program (December 20, 2022), a report on the FY 2022 audit of the Commission’s Compliance with the Federal Information Security Management Act (FISMA) for FY 2022 (December 06, 2022), and the audit report on the U.S. AbilityOne Commission’s Financial Statements for Fiscal Year 2022 (November 15, 2022).

On November 15, 2023, the OIG issued the 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) Implementation of the Strategic Plan: a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance; b) Successful Implementation of the

Section 898 Panel Recommendations; c) Use of an Enterprise-wide Risk Management (ERM) Framework; and 2) Breakdowns in Internal Control over Financial Management and Reporting.

### *Challenges*

Challenges currently facing the Commission, and actions planned or taken to address those challenges, include:

- Implementing the [FY 2022-2026 Strategic Plan](#), including initiatives related to:
  - Supporting competition in the AbilityOne Program.
  - Advancing good jobs and optimal jobs (as defined in the Strategic Plan).
  - Modernizing the oversight of NPA compliance to align with Program requirements.
  - Reviewing all agency policies, and renegotiating the Commission’s Cooperative Agreements with the CNAs, to align with the Strategic Plan for FY 2022-2026.
- Addressing challenges discussed in the OIG’s annual Top Management and Performance Challenges Report.
- Meeting challenges of Congressional and Executive Branch mandates within resource limitations:
  - Consolidated Appropriations Act, 2016, requirements for Commission to establish (1) Cooperative Agreements to govern its relationship with the CNAs, and (2) an OIG.
  - Consolidated Appropriations Act, 2017, requirement for a Western U.S. Field Office.
  - Office of Management and Budget (OMB) requirements for IT and cybersecurity.
  - Implementing recommendations of the FY 2017 National Defense Authorization Act (NDAA) Section 898 “Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity” (898 Panel).
    - FY 2017 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 included annual reporting to Congress on ways to eliminate waste, fraud and abuse, and recommending changes to business practices and IT systems.
    - Panel sunsetted after issuing its Fourth and Final Report to Congress in January 2022. The final Report included, and tracked progress on, 24 recommendations.

- 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.
- Remaining Panel recommendations have been incorporated into the Commission’s FY 2022-2026 Strategic Plan.
- Bolstering resources to meet mission requirements and increase oversight.
  - Additional staffing is essential for the Commission to increase and manage oversight of this nearly \$4 billion contracting program during the expansion of the AbilityOne Representative (ABOR) program in accordance with the OFPP memorandum “Increasing the Participation of Americans with Disabilities in Federal Contracting.”
  - Both the 898 Panel and AbilityOne’s Federal customers cite the need for more funding and staff for the Commission.

## 2. Performance Section

In FY 2023, the Commission continued to modernize and transform the AbilityOne Program to align with the Commission's [FY 2022-2026 Strategic Plan](#).

Four overarching Strategic Objectives anchor the plan:

- 1) Transform the AbilityOne Program to expand competitive integrated employment (CIE) for people who are blind or have significant disabilities.
- 2) Identify, publicize, and support the increase of good jobs and optimal jobs in the AbilityOne Program.
- 3) Ensure effective governance and results across the AbilityOne Program.
- 4) Engage in partnerships to increase employment for people who are blind or have significant disabilities within and beyond the AbilityOne Program.

The plan also includes [outcome goals, strategies and performance measures](#) that clearly communicate the Commission's direction and resource prioritization.

The Commission has developed a [plan to implement](#) the Strategic Plan.

The following agency performance information is organized under the plan's Strategic Objectives.

### **2.1. Strategic Objective 1: Transform the AbilityOne Program to expand competitive integrated employment (CIE) for people who are blind or have significant disabilities.**

As noted in the FY 2022-2026 Strategic Plan, the Commission is committed to working effectively with Congress to amend the JWOD Act to support CIE for people who are blind or have significant disabilities. However, to achieve that goal fully, Congress must amend the JWOD Act to enable all NPAs to offer CIE to their employees.

The Commission's most important FY 2023 action supporting Strategic Objective 1 was sending three legislative proposals to Congress to amend the JWOD Act. For details, see Section 1.8, Forward-Looking Information.



## **2.2. Strategic Objective 2: Identify, publicize, and support the increase of good jobs and optimal jobs in the AbilityOne Program.**

### ***Ending Payment of Subminimum Wages on AbilityOne Contracts***

As of the end of FY 2023, the [final rule](#) that prohibits payment of subminimum wages on contracts within the AbilityOne Program was fully implemented among the AbilityOne-participating NPAs that previously held special certificates authorizing the payment of subminimum wages.

The rule had taken effect on October 19, 2022, ending decades of treating some employees with disabilities as second-class citizens, and ensuring they receive a fair wage reflecting the value of their work.

This rule was a significant step toward addressing a longstanding area of concern within the disability community and better aligns AbilityOne with modern disability policy.

Under the rule, individuals who are blind or have significant disabilities and who work on AbilityOne contracts earn at least the Federal minimum wage, the applicable local or state minimum wage, or the applicable prevailing wage – whichever is highest.

Publication of the final rule completed a formal rulemaking process that began when the Commission published a Notice of Proposed Rulemaking in the Federal Register on October 12, 2021.

The Commission received more than 180 comments in response to the proposed rule and considered them carefully when drafting the final version.

While payment of subminimum wages had already been declining in the Program for years, the publication of the final rule was a significant step that reflects the Commission’s unwavering commitment to modernizing the AbilityOne Program.

The rule sends a message that the work of people with disabilities should be valued equally with that of others.

### ***Good Jobs and Optimal Jobs***

The Commission defines a “good job” in the AbilityOne Program as having four attributes:

1. Individuals with disabilities are paid competitive wages and benefits;
2. The job matches the individual’s interests and skills (“job customization”);
3. Individuals with disabilities are provided with opportunities for employment advancement comparable to those provided to individuals without disabilities; and
4. Individuals are covered under employment laws.

The Commission believes there are such jobs currently within the AbilityOne Program and

that the number of such jobs should be increased.

The Commission defines an “optimal job” as one that includes the four attributes of a “good job,” but also allows AbilityOne employees to work side-by-side with employees without disabilities doing the same or similar work. Such jobs are more challenging to achieve given the direct labor hour ratio mandated by the JWOD Act. Nevertheless, the Commission is aware of several examples in which such workplaces have been achieved in the AbilityOne Program.

### ***Commission Awards Contract for Developing AbilityOne Program Career Planning Support***

For details, see Section 1.8, Forward-Looking Information.

### ***New Emphasis on Subcontracting to Achieve Integrated Employment***

- Consistent with the FY 2022-2026 Strategic Plan, the Commission now considers subcontracting and other approaches to collaborating with industry as ways to increase integration, leading to what the Plan defines as optimal jobs.
- Our new emphasis on subcontracting reflects modern disability policy in terms of advocating for competitive integrated employment and represents a shift from the Commission’s historical pattern of minimizing subcontracting of work on AbilityOne contracts so as to maintain job opportunities for AbilityOne employees within the Program.
- Subcontracting and collaborations can help NPAs expand their expertise and capacity. Therefore, the Commission now supports the creative use of subcontracting in a variety of approaches that expand or sustain employment and support our customers’ satisfaction.
- The public engagement section of the Commission’s quarterly public meeting on April 13, 2023, focused on subcontracting. Speakers included a panel of experts who shared ideas about subcontracting and other approaches to collaborating with industry that may be replicated in the AbilityOne Program.

## **2.3. Strategic Objective 3: Ensure effective governance and results across the AbilityOne Program.**

### ***Chief Financial Officer***

The Commission’s CFO has advanced effective stewardship through actions that include:

- Maintains 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 FY 2023 Annual Statement of Assurance.
- Conducted an FY 2023 Management Control Review of 99 Agency controls – one-third of the total 336 controls – and determined Agency internal controls were moderately effective.
- Responsiveness to audits: Closed 31 financial audit recommendations during FY 2023.
- Conducts quarterly enterprise risk management assessments of risk mitigation plans; closed 4 of 32 risk mitigation plans to date.

**Compliance**

One of the pillars of the Commission’s FY 2022-2026 Strategic Plan is modernizing the oversight of NPA compliance to align with Program requirements. For details, see Section 1.8, Forward-Looking Information.

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

	<b>FY 2018 Results</b>	<b>FY 2019 Results</b>	<b>FY 2020 Results</b>	<b>FY 2021 Results</b>	<b>FY 2022 Results</b>
NPAs in Compliance / Total NPAs	469/483	461/480	402/469	353/450	313/443
Percentage of NPAs in Compliance	97%	96%	86% <sup>4</sup>	78% <sup>5</sup>	71% <sup>6</sup>

\* While undertaking significant steps to modernize the oversight of NPA compliance, the Commission paused routine traditional compliance reviews on February 1, 2023, to consider public feedback, retrain staff, develop updated compliance materials for the NPA community, and ensure that the Commission, the NPAs, and the CNAs are in full alignment in the area of compliance.

- Under the JWOD Act, AbilityOne-participating NPAs must employ people who are blind or have significant disabilities for at least 75% of overall direct labor hours worked during the fiscal year (referred to as the 75% Overall Direct Labor Hour Ratio Requirement).
- In both FY 2021 and FY 2022, NPA compliance with this key requirement was lower than in 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, FY 2021, and FY 2022. These exceptions included flexibilities to allow NPAs to notify the Commission if, due to or in support of the COVID-19 emergency response or recovery period, they would operate at a ratio below 75 percent.

### ***Customer Satisfaction***

Increasing Federal customer satisfaction with AbilityOne products and services is a Commission priority, reflected in the Strategic Plan – i.e., “Support the mission of the Federal customer by providing best value through contract performance.”

In addition, the Commission’s vision is to “Remain a trusted source of supply and services for Federal agencies while creating quality employment opportunities across all economic sectors for people who are blind or have significant disabilities.”

In FY 2023, the Commission strengthened its emphasis on customer satisfaction, including through the following initiatives:

#### ***Proposed Rule “Supporting Competition in the AbilityOne Program”***

The Commission’s proposed rule “Supporting Competition in the AbilityOne Program” is a key step toward implementing the agency’s Strategic Plan. For details, see Section 1.8, Forward-Looking Information.

#### ***Increasing Customer Satisfaction by Emphasizing Contract Performance***

- Strong contract performance – quality, dependability, consistency, and timely delivery – is the foundation of the Program’s ability to meet Federal customer requirements.
- Throughout 2023, the Commission increased its emphasis on contract performance, including by convening a panel of acquisition professionals from the Office of Federal Procurement Policy and several Federal agencies at the Commission’s January 31, 2023, public meeting.
- Quality performance showcases the work of AbilityOne in a competitive market, strengthens relationships between Federal agencies and the Program, results in increased customer satisfaction and better mission outcomes, and supports expansion into new markets.
- The Commission is enhancing and/or developing mechanisms to monitor contract performance and customer satisfaction.

- The Commission’s final rule on competition will be a tangible action by the Commission that underscores the importance of good contract performance and permit Federal agencies to request price competition between NPAs on certain types of contracts.
- The Commission intends to consider additional policy guidance specific to contract performance and applicable to all products and services on the Procurement List.

#### AbilityOne Representatives (ABORs)

ABORs play a key role in ensuring Federal agency customer satisfaction with the AbilityOne Program by serving as an essential communication channel between their agencies and the Commission and CNAs.

For details, please see Section 2.4., Strategic Objective 4.

#### Implementing Section 898 Panel Recommendations

Achieving customer satisfaction through improved contract performance was an inherent part of every 898 Panel annual report to Congress from 2017 through 2021. Many Panel recommendations are reflected in the Commission’s FY 2022-2026 Strategic Plan.

The Panel’s scope of work included a focus on recommending updates to legislation, regulations, and policy to improve contracting between the AbilityOne Program and DoD as well as other Federal agencies.

For further details, see Section 1.8, Forward-Looking Information.

#### *Advancing Executive Orders promoting equity and opportunity<sup>7</sup>*

- The AbilityOne Program’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.
- The Commission has publicly released an Equity Action Plan as required by EO 13985, and submitted an Agency Diversity, Equity, Inclusion, and Accessibility (DEIA) Strategic Plan as required by EO 14035.

- At All Hands staff meetings and in staff communications, Commission staff are working to enhance cultural awareness and recognize diversity within the agency.
- The Commission’s DEIA Team meets bi-weekly.

***The Commission Continues to Expand Transparency and Public Engagement to Increase Public Trust and Confidence<sup>8</sup>***

In its FY 2022 Top Management and Performance Challenges (TMPC) Report, the OIG removed “Higher Level of Transparency Needed to Enhance Program Confidence” as a challenge. Transparency had been cited as a challenge in TMPC reports from FY 2018 through 2021.

The OIG said it had removed this challenge “because of the progress made by the Commission.” Expanded public engagement has significantly boosted participation by, and input from, key stakeholders including advocates from the disability community.

Changing from in-person to virtual quarterly public meetings has increased attendance from approximately 50 attendees before the pandemic to approximately 470 at the January 31, 2023 quarterly public meeting. Virtual meetings have placed new demands on Commission staff, as well as additional expenses due to video platforms and Federal Register notices.

Federal Register notices of Commission quarterly public meetings promote greater transparency and public engagement by posing questions for discussion, soliciting written statements to the Commission, and encouraging verbal presentations and exchanges between the public and Commission members.

Examples in FY 2023:

- The Federal Register [notice](#) for the October 25, 2022, Commission quarterly public meeting included the following:

“The Commission invites public comments or suggestions regarding the scope, requirements, and metrics for the next generation of Cooperative Agreements between the Commission and its designated Central Nonprofit Agencies (CNAs). The Cooperative Agreements cover the roles and responsibilities of the CNAs and the Commission in the administration of the AbilityOne Program.”

- The Federal Register [notice](#) for the January 31, 2023, Commission quarterly public meeting included the following:

“A panel of Federal customers will broadly address, from an overall acquisition perspective, what is important to Federal agencies in terms of contractor performance – whether or not those contracts are awarded under the auspices of the AbilityOne Program. Panelist topics may include but are not limited to quality, timely delivery, best value, innovation, and compliance with cybersecurity and other Federal guidance.

“...The Commission invites public comments and suggestions about the panel topic, including perspectives on contract performance, quality assurance, and measurement of customer satisfaction.”

- The Federal Register [notice](#) for the April 13, 2023, Commission quarterly public meeting included the following:

“The Commission invites public comments and suggestions about subcontracting and other partnerships with industry by or with AbilityOne employers.”

- The Federal Register [notice](#) for the July 13, 2023, Commission quarterly public meeting included the following:

“The Commission will hold a public engagement session on the Notice of Proposed Rulemaking (NPRM) Supporting Competition in the AbilityOne Program (RIN 3037–AA14), published on March 13, 2023. The Commission particularly invites discussion on how the Commission can consider a nonprofit agency’s positive performance in improving employment opportunities for people who are blind or have significant disabilities, both within the AbilityOne workplace and placements outside the AbilityOne Program, in initial Procurement List additions and in any competitive process covered by the NPRM.”

- The Commission received valuable responses during these public meetings and has used the input in its decision-making and development of agendas for future public meetings. By continuing this kind of frank and constructive exchange, we can create the shared awareness and understanding that are essential to the success of the Commission and the Program.

- To further increase transparency, the Commission uses its Facebook and LinkedIn accounts to communicate about Commission meetings and actions.

**2.4. Strategic Objective 4: Engage in partnerships to increase employment for people who are blind or have significant disabilities within and beyond the AbilityOne Program.**

***Employment Growth***

The Commission’s FY 2022-2026 Strategic Plan includes initiatives for expanding business lines within the Program, with the outcome of new good jobs and optimal jobs within the Program.

The Strategic Plan also includes initiatives for increasing employment for people who are blind or have significant disabilities beyond the AbilityOne Program. The attributes of a “good job” in an AbilityOne contract will include employee career plans that can support the outward mobility of employees to other jobs in the economy.

In addition, the Commission intends to collaborate with other Federal agencies to increase employment opportunities in Federal agencies and with other Federal contractors for people who are blind or have significant disabilities

**Table 2. AbilityOne Program Key Metrics**

	<b>FY 2021</b>	<b>FY 2022</b>	<b>Change</b>
Direct Labor Hours	43.9 million	41.4 million	-6%
Employees	39,690	36,377	-8%
Promotions	2,072	1,953	-6%
Wages	\$668.6 million	\$666.4 million	-0.3%
Average Hourly Wage	\$15.22	\$16.09	+6%
Sales	\$3.916 billion	\$3.868 billion	-1%

As shown in the table above, employment within AbilityOne contracts decreased between FY 2021 and FY 2022. 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.
- 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 some AbilityOne contracts and jobs.



### ***New Emphasis on Subcontracting to Achieve Integrated Employment***

Consistent with the FY 2022-2026 Strategic Plan, the Commission now considers subcontracting and other approaches to collaborating with industry as ways to increase integration, leading to what the Plan defines as “optimal jobs.”

For details, see Section 2.2. Strategic Objective 2.

### ***Implementing Guidance in the Office of Federal Procurement Policy (OFPP) Memorandum on [“Increasing the Participation of Americans with Disabilities in Federal Contracting.”](#)***

- AbilityOne Representatives (ABORs) have been appointed in 21 Federal agencies, plus an additional 7 ABORs at DoD components including the military services, to increase awareness and understanding of the AbilityOne Program’s mission and objectives.
  - ABORs contribute to the implementation of the Commission’s Strategic Plan by supporting the identification of contract requirements that will create good and optimal jobs for the AbilityOne workforce.
  - ABORs hosted numerous educational sessions about AbilityOne capabilities and utilization for Federal agencies in FY 2023 – Commerce, DoD, Education, General Services Administration, Interior, NASA, Treasury, USDA, and VA have all participated in training conducted by the Commission and CNAs.
- The Commission’s Strategic Plan for FY 2022-2026 calls for engagement with a range of Federal agencies with the goal of increasing employment opportunities for people with significant disabilities throughout the economy.
- Complementing the ABORs initiative are AbilityOne employment growth possibilities resulting from the current government-wide focus on equity and inclusiveness. A number of Federal agencies have highlighted AbilityOne contracting in their Equity Action Plans and DEIA efforts.

### ***Nonprofit agencies are now required to purchase and use AbilityOne products when performing AbilityOne service contracts***

- On October 1, 2022, Commission [Policy 51.542](#) “Nonprofit Agency Use of AbilityOne Products in the Performance of AbilityOne Service Contracts” became effective.
- This policy will help to create and sustain jobs while affirming that AbilityOne products are reasonably priced and high quality.

- In its first year of implementation, Policy 51.542 is estimated to have generated nearly \$4 million in additional products sales and the equivalent of 12 full-time jobs for people who are blind or visually impaired.

### **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, Suite 335  
Washington, DC 20024-3243

November 15, 2023

**MEMORANDUM**

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

Kimberly M. Zeich  
Executive Director  
U.S. AbilityOne Commission

**FROM:** Stefania Pozzi Porter   
Inspector General  
U.S. AbilityOne Commission

**SUBJECT:** Audit of the U.S. AbilityOne Commission's Financial Statements  
for Fiscal Year 2023

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 Harper, Rains, Knight, & Company, P.A. (HRK) to audit the Commission's financial statements and related footnotes as of September 30, 2023, 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**

HRK found:

- The financial statements present fairly, in all material respects, the Commission's financial position as of September 30, 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with generally accepted accounting principles.

- One significant deficiency (Finding 2023-03) in internal control over financial reporting.

While the report includes one significant deficiency related to the Commission's internal control over financial reporting, HRK's objective 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 HRK's reports and related audit documentation.

HRK 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 their assistance and cooperation. If you have any questions or need additional information, please contact me or Rosario A. Torres, CPA, CIA, MBA, CGAP, Assistant Inspector General for Auditing at (703) 772-9054 or [rtorres@oig.abilityone.gov](mailto:rtorres@oig.abilityone.gov).

Enclosure: *Independent Auditor's Report, September 30, 2023*

cc: Chai Feldblum  
Vice-Chairperson  
U.S. AbilityOne Commission

Kelvin R. Wood  
Chief of Staff  
U.S. AbilityOne Commission



## **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 Audit of the Financial Statements**

#### ***Opinion***

In accordance with the Accountability of Tax Dollars Act, we have audited the financial statements of the Committee for Purchase from People Who Are Blind or Severely Disabled – U.S. AbilityOne Commission (the Commission). The Commission's financial statements comprise the balance sheet as of September 30, 2023, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the Commission's financial statements present fairly, in all material respects, the Commission's financial position as of September 30, 2023, and its net cost of operations, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and for 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.

**Certified Public Accountants · Consultants · [hrkcpa.com](http://hrkcpa.com)**

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***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Other Matters***

The financial statements of the Commission for the year ended September 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on November 15, 2022.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's

***Required Supplementary Information (continued)***

responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the Commission's financial statements. The information in the Message from the Chairperson, Performance and Other Information sections contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the Other Information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the Commission's financial statements as of and for the year ended September 30, 2023, in accordance with GAGAS, we considered the Commission's internal control relevant to the financial statement audit 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 effectiveness of the Commission's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying, *Exhibit 1, Findings and Recommendations-Significant Deficiency*, as NFR 2023-03 to be a significant deficiency.



***Report on Internal Control over Financial Reporting (continued)***

Our consideration of internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Exhibit 1, Findings and Recommendations-Significant Deficiency*, we identified a deficiency in internal control that we consider to be a significant deficiency.

In addition, we also identified deficiencies in the Commission's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies that, nonetheless, warrant management's attention. We have communicated these matters to Commission management and, where appropriate, will report on them separately.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

***Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements***

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the Commission's financial statements, and to perform certain other limited procedures, but not for the purposes of expressing an opinion on the Commission's compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Commission. The Commission management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our tests of compliance with these selected provisions of applicable laws, regulations, and contracts, and grant agreements disclosed no instances of noncompliance for the year ended September 30, 2023, that would be reportable under GAGAS or OMB Bulletin No. 24-01. We caution that noncompliance may occur and not be detected by these tests.

***Management's Response to Finding***

Management's response to the findings identified in our audit is described in the accompanying Exhibit I. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

***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* is solely to describe the scope of our testing of internal control and compliance with selected provisions 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 compliance. These reports are an integral part of an audit performed in accordance with GAGAS and OMB Bulletin No. 24-01 in considering the entity's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

*Harper, Raino, Knight & Company, P.A.*

November 14, 2023  
Washington, DC

**Exhibit 1 Findings and Recommendations-  
Significant Deficiency**

**Notice of Findings and Recommendations  
Year End Accrual Control is not Properly Designed  
U.S. AbilityOne Commission  
FY 2023 Financial Statement Audit**

**Background:**

**Ref. Number:** 2023-03

**Title:** Internal Control over Year-End Accrued Expenses and Liabilities are not Properly Designed and Implemented

**Repeat Finding:** 2022-10, 2021-11,2021-04,2020-06, 2019-02

**W/P Reference:** [3604](#)

**Condition:**

The Commission's internal controls over the estimation and recording of accrued expenses and liabilities are not sufficiently designed and implemented to prevent, detect, or correct errors in its financial statements.

During our performance of substantive procedures over the balance of Accounts Payable and Undelivered Orders as of September 30, 2023, we identified the following:

- The Commission did not record an accrual for two invoices received September 27, 2023, totaling \$73,210 for work performed during fiscal year 2023. These invoices were for services performed in accordance with a contract funded with fiscal year 2022 appropriated funds.

**Criteria:**

AbilityOne Budget and Financial Management Standard Operating Procedures, March 2023, Financial Management, Accrual Preparation, Pages 31-32 states,

“-To achieve accounting standards, AbilityOne will, at a minimum, submit material accruals (i.e., payroll, bonuses, accounts payable) prior to development of interim and end of year financial statements. Accruals will be developed for known liabilities and receipts.

-Accruals will follow standard funds management and obligation workflow process for funds certification and approval signatures on transmittals used.”

**Exhibit 1 Findings and Recommendations-  
Significant Deficiency (continued)**

-AbilityOne will track and cross reference accrual submissions to trial balance and financial statements for accuracy and completeness of financial reporting requirements; AbilityOne will use the Accounting History Report to track accrual postings; Accounting History Report displays general ledger posts that reflect trial balances.

-Coordination with OIG will be conducted to capture their accruals as well."

The Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014), Principle 10 – Design Control Activities, Section 10.01 states, “Management designs control activities in response to the entity’s objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations.

The Government Accountability Office (GAO), *Standards for Internal Controls in the Federal Government*, (issued September 2014), Principle 10 – Design Control Activities, 10.03, Accurate and timely recording of transactions, states, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

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

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

The Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014), Section 4 – Additional Considerations, Service Organizations, OV4.03 states, “Management may consider the following when determining the extent of oversight for the operational processes assigned to the service organization: The nature of services outsourced.....[and] the extent to which the entity’s internal controls are sufficient so that the entity achieves its objectives and addresses risks related to the assigned operational process.”

**Cause:**

- The accrual guidance provided by the Commission's service provider did not establish clear criteria for the preparation of year end accruals. Specifically, the guidance does not specify that accruals should be recorded for known expenses in the current period in which the cash outlay will happen in a future period, regardless of the fiscal year of obligated funding.

**Exhibit 1 Findings and Recommendations-  
Significant Deficiency (continued)**

- The Chief Financial Officer, or other Commission personnel knowledgeable in accounting and finance did not review all accruals for accuracy or completeness prior to recording in the general ledger.

**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 reviewed completely by personnel with responsibility for financial reporting.
- Errors in the fiscal year-end financial statements and footnotes and other required reporting included:
  - Balance Sheet – Accounts Payable was understated by \$73,210 and Cumulative Results of Operations was overstated by \$73,210.
  - Statement of Net Cost – Total Gross Costs, Net Program Costs, and Net Cost of Operations were understated by \$73,120.
  - Statement of Changes in Net Position – Net Cost of Operations, Net Change in Cumulative Results of Operations were understated by \$73,210, and Net Position was overstated by \$73,210.
  - \$73,210 overstatement of Undelivered Orders-Unpaid and \$73,210 understatement of Delivered Orders-Unpaid

**Recommendation:**

- Commission management should enhance its written policies and procedures for the accrual preparation process to clarify service provider guidance, including specifying that accruals should be recorded for known expenses in the current period in which the cash outlay will happen in a future period, regardless of the fiscal year of obligated funding.
- The Chief Financial Officer, or other Commission personnel knowledgeable in accounting and finance, should independently review all accruals for accuracy and compliance with generally accepted accounting principles, regardless of the office of origination.
- Book proposed adjustment to accrue for the invoices totaling \$73,210 for fiscal year 2023.

**Exhibit 1 Findings and Recommendations-  
Significant Deficiency (continued)**

**Management's Response**

Management concurs with the findings and recommendations. In accordance with the above recommendations, management will implement the following corrective actions by 31 January 2024:

- Enhance written policies and procedures for accrual preparation and submission to shared service provider, including specific language that accruals should be recorded for known expenses in the current period in which the cash outlay will happen in a future period, regardless of the fiscal year of obligated funding.
- The CFO will independently review all accruals for accuracy and compliance with generally accepted accounting principles prior to submission to shared service provider.



Kimberly M. Zeich  
Executive Director  
U.S. AbilityOne Commission

**Exhibit 1 Findings and Recommendations-  
Significant Deficiency (continued)**

**Proposed Audit Adjustment 2023-01**

<b>SGL Number</b>	<b>SGL Name</b>	<b>Debit</b>	<b>Credit</b>
610000	Operating Expenses/Program Costs-Nonfederal	\$ 73,210	
210000.02	Accounts Payable-General-Nonfederal		\$ 73,210
480100	Undelivered Orders-Obligations, Unpaid	\$ 73,210	
490100	Delivered Orders-Obligations, Unpaid		\$ 73,210
310700	Unexpended Appropriations-Used-Accrued	\$ 73,210	
570000	Expended Appropriations-Used-Accrued		\$ 73,210

## Exhibit 2 Status of Prior Year Financial Statement Audit Recommendations

The following table provides the fiscal year (FY) 2023 status of all recommendations included in the Independent Auditors' Report on the Commission's FY 2022 Financial Statements (November 15, 2022).

Prior Year Finding	Prior Year Recommendations	FY 2023 Status
<p>Interim Financial Statements and Footnotes Were Not Prepared in Accordance with U.S. GAAP and Federal Reporting Requirements (2022-01)</p>	<p>We recommend that Commission management:</p>	
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Closed
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Closed
	<ul style="list-style-type: none"> <li>• Increase the precision of existing checklists and variance analysis tools so that changes from known and expected results can be detected and corrected.</li> </ul>	Closed
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Closed
	<ul style="list-style-type: none"> <li>• Add the review of legal matters to the financial reporting checklist or other tracking system with other adjusting entries and reconciliations so that it becomes part of a routine process that is performed at the end of each quarter.</li> </ul>	Closed
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Closed
	<ul style="list-style-type: none"> <li>• Verify the mathematical accuracy of all statements and footnote schedules and agree all balances reported in the statements and footnotes to corrected trial balances.</li> </ul>	Closed
<ul style="list-style-type: none"> <li>• Prepare, sign and date, and retain a formal checklist or memorandum to document the review and approval process that includes all of the procedures that were performed by management to validate the completeness and accuracy of all required financial statements and footnotes.</li> </ul>	Closed	



**Exhibit 2 Status of Prior Year Financial Statement Audit Recommendations (continued)**

Prior Year Finding	Prior Year Recommendations	FY 2023 Status
<p>Corrections for Known Errors and Misstatements Were Not Identified or Recorded in the General Ledger 2022-02</p>	<p>We recommend that Commission management should:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 principle.</li> </ul>	<p>Closed</p> <p>Closed</p>
<p>Personnel Actions Are Not Accurate, Timely, or Complete 2022-03</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• The Commission should perform a thorough review of all personnel actions before they are approved by the appointing official and submitted to the service provider to ensure they are complete and accurate.</li> <li>• If a change to the effective date or other modification is required, the Commission should complete a revised Request for Personnel Action form and verify that is dated and signed by the appointing official prior to the revised effective date.</li> <li>• The Commission should retain clear, concise, and complete documentation to support all personnel actions in the employees' Official Personnel Folders</li> </ul>	<p>Closed</p> <p>Closed</p> <p>Closed</p>
<p>Actual and Potential ADA Violations Relating to the Obligation of Expired Funds 2022-04</p>	<p>We recommend that Commission management:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Perform a legal review of all transactions for which the assignment of a prior budget year is contemplated.</li> </ul>	<p>Open</p> <p>Closed</p>
<p>Obligations Were Not Submitted Timely for Recording in the General Ledger 2022-05</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Commission management should ensure that all transmittal forms and supporting documents are submitted to the service organization within five business days of the agency incurring an obligation so that the service organization can record the obligation in the agency's general ledger timely.</li> <li>• On a quarterly or more frequent basis, Commission management (i.e., budget officers/funding officials, contracting officers, and other personnel involved in the procurement process) should perform a review of open obligation aging reports to verify that the balance for each obligation is accurate and all obligations that have been incurred by the agency have been recorded in the general ledger.</li> </ul>	<p>Closed</p> <p>Closed</p> <p>Closed</p>

**Exhibit 2 Status of Prior Year Financial Statement Audit Recommendations (continued)**

Prior Year Finding	Prior Year Recommendations	FY 2023 Status
	<ul style="list-style-type: none"> <li>• On a quarterly or more frequent basis, Commission management should perform a review of all procurement documentation (i.e., transmittal forms, SF-30, SF-1449, and other funding or obligating documents) and agree the documentation to the open obligation aging reports in order to verify that the balance for each obligation is accurate and all obligations that have been incurred by the agency have been recorded in the general ledger.</li> <li>• Personnel performing procurement activities should maintain a log or other record that includes the status of all commitments and obligations, which should be reviewed at the end of each reporting period, and particularly at fiscal year-end, so that action can be taken timely for any incomplete items.</li> <li>• Standard operating procedures should be expanded, or desk procedures developed, so that policies and procedures are explained clearly, and the roles and responsibilities of personnel performing procurement activities are defined for each step of the process.</li> </ul>	<p>Closed</p> <p>Closed</p>
<p>Employee Benefits Election Forms Were Not Maintained in eOPF per OPM Requirements 2022-06</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Open</p> <p>Open</p> <p>Open</p>
<p>Federal Employee Health Benefits (FEHB) Program Premiums Were Included in OASDI and Medicare Taxes in Error 2022-07</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• The Commission should research the impacted employee’s payroll records to confirm the error and determine why the error occurred. Appropriate action should then be taken to identify any other affected employees and to correct the root cause of the error.</li> <li>• Correction of the error should include an appropriate credit for the excess taxes withheld from the employee’s pay and an adjustment of the agency’s matching contributions that were paid for this employee.</li> </ul>	<p>Closed</p> <p>Closed</p>
<p>Improvements Needed for</p>	<p>We recommend that:</p>	

**Exhibit 2 Status of Prior Year Financial Statement Audit Recommendations (continued)**

Prior Year Finding	Prior Year Recommendations	FY 2023 Status
Internal Controls Relating to the Performance of Property Inventories 2022-08	<ul style="list-style-type: none"> <li>• The Commission should perform and adequately document the results of its annual physical inventory, which includes a summary of the procedures performed, the name and title of the individual(s) who performed it, the date it was performed, and evidence of review and approval by an appropriate management official.</li> <li>• The Commission should correct and then regularly update all listings of the Commission’s assets to enable the agency to quickly and accurately locate all items issued to Commission personnel.</li> <li>• The Commission should, by employee/contractor, develop or retain records of all property that is issued, returned, and/or reissued to all personnel and update the asset listings to agree with the source documentation.</li> </ul>	<p>Open</p> <p>Closed</p> <p>Closed</p>
Lack of Sufficient Internal Control over Financial Reporting Relating to Upward and Downward Adjustments of Prior Year Obligations 2022-09	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Commission management 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.</li> <li>• 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.</li> </ul>	<p>Closed</p> <p>Closed</p>
Year-End Accrued Expenses and Liabilities Were Not Correctly Estimated or Recorded 2022-10	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Commission management should enhance its written policies and procedures for the financial reporting process, including procedures to identify, prepare, and review year-end entries to the general ledger to ensure that all required entries been recorded in accordance with generally accepted accounting principles.</li> <li>• The Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should independently verify the amounts estimated for accrued liabilities and examine the entries that have been recorded in the Commission’s general ledger to ensure that the entries agree with the information the Commission has provided.</li> <li>• Commission management should enhance its existing policies and procedures to provide a more thorough review of all accounting entries for year-end accruals to ensure that all accrued liabilities have been received from all sources and recorded in accordance with generally accepted accounting principles.</li> <li>• At least twice per year, to coincide with the preparation and review of the third and fourth quarter financial statements, the Commission should track</li> </ul>	<p>Open</p> <p>Open</p> <p>Open</p>





**GENERAL FUND  
FINANCIAL STATEMENTS**

**As Of And For The Fiscal Years Ended September 30, 2023 and 2022**

# The Committee for Purchase from People Who Are Blind or Severely Disabled

## BALANCE SHEETS

As Of September 30, 2023 and 2022  
(in thousands)

		2023	2022
<b>Assets:</b>			
<b>Intragovernmental Assets:</b>			
Fund Balance With Treasury	(Note 2)	\$ 8,674	\$ 3,778
Advances and Prepayments		100	140
Total Intragovernmental Assets		8,774	3,918
<b>Other than Intragovernmental Assets:</b>			
Accounts Receivable, net	(Note 3)	1	-
Property, Plant and Equipment, net	(Note 4)	630	814
Total Other than Intragovernmental Assets		631	814
<b>Total Assets</b>		\$ 9,405	\$ 4,732
<b>Liabilities:</b>			
<b>Intragovernmental Liabilities:</b>			
Accounts Payable		\$ 1,153	\$ 127
Other Liabilities	(Note 6)	330	29
Total Intragovernmental Liabilities		1,483	156
<b>Other than Intragovernmental Liabilities:</b>			
Accounts Payable		327	252
Federal Employees and Veterans Benefit Payable		653	590
Other Liabilities	(Note 6)	227	172
Total Other than Intragovernmental Liabilities		1,207	1,014
<b>Total Liabilities</b>		\$ 2,690	\$ 1,170
<b>Net Position:</b>			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		6,731	3,334
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		\$ (16)	\$ 228
Total Net Position - All Other Funds (Consolidated Totals)		6,715	3,562
Total Net Position		\$ 6,715	\$ 3,562
<b>Total Liabilities and Net Position</b>		\$ 9,405	\$ 4,732

The accompanying notes are an integral part of these statements.

**The Committee for Purchase from People Who Are Blind or  
Severely Disabled  
STATEMENTS OF NET COST**

**For The Fiscal Years Ended September 30, 2023 and 2022  
(in thousands)**

	2023	2022
<b>Program Costs:</b>		
Gross Costs	\$ 11,543	\$ 10,367
Less: Earned Revenue	2	-
Net Program Costs	11,541	10,367
<b>Net Cost of Operations</b>	<b>\$ 11,541</b>	<b>\$ 10,367</b>

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 Fiscal Year Ended September 30, 2023 (in thousands)

FY 2023 (CY)

	All Other Funds (Consolidated Totals)	Consolidated Total
<b>Unexpended Appropriations:</b>		
Beginning Balance	\$ 3,334	\$ 3,334
Appropriations received	13,124	13,124
Appropriations transferred-in/out (+/-)	1,336	1,336
Other Adjustments (+/-)	(175)	(175)
Appropriations used	(10,888)	(10,888)
Net Change in Unexpended Appropriations	3,397	3,397
<b>Total Unexpended Appropriations</b>	<b>\$ 6,731</b>	<b>\$ 6,731</b>
<b>Cumulative Results from Operations</b>		
Beginning Balances	\$ 228	\$ 228
Appropriations used	10,888	10,888
Imputed Financing	409	409
Net Cost of Operations	(11,541)	(11,541)
Net Change in Cumulative Results of Operations	(244)	(244)
<b>Cumulative Results of Operations</b>	<b>(16)</b>	<b>(16)</b>
<b>Net Position</b>	<b>\$ 6,715</b>	<b>\$ 6,715</b>

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 Fiscal Year Ended September 30, 2022**  
**(in thousands)**

FY 2022 (PY)

	<b>All Other Funds (Consolidated Totals)</b>	<b>Consolidated Total</b>
<b>Unexpended Appropriations:</b>		
Beginning Balance	\$ 3,085	\$ 3,085
Appropriations received	11,000	11,000
Other Adjustments (+/-)	(47)	(47)
Appropriations used	(10,704)	(10,704)
Net Change in Unexpended Appropriations	249	249
<b>Total Unexpended Appropriations</b>	<b>\$ 3,334</b>	<b>\$ 3,334</b>
<b>Cumulative Results from Operations</b>		
Beginning Balances	\$ (361)	\$ (361)
Appropriations used	10,704	10,704
Imputed Financing	252	252
Net Cost of Operations	(10,367)	(10,367)
Net Change in Cumulative Results of Operations	589	589
<b>Cumulative Results of Operations</b>	<b>228</b>	<b>228</b>
<b>Net Position</b>	<b>\$ 3,562</b>	<b>\$ 3,562</b>

The accompanying notes are an integral part of these statements.

**The Committee for Purchase from People Who Are Blind or Severely Disabled**  
**STATEMENTS OF BUDGETARY RESOURCES**

For The Fiscal Years Ended September 30, 2023 and 2022  
(in thousands)

	2023 Budgetary	2022 Budgetary
<b>Budgetary resources:</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 3,494	\$ 776
Appropriations (discretionary and mandatory)	13,124	11,000
Spending authority from offsetting collections (discretionary and mandatory)	2	-
<b>Total budgetary resources</b>	<b>\$ 16,620</b>	<b>\$ 11,776</b>
<b>Status of budgetary resources:</b>		
New obligations and upward adjustments (total)	\$ 13,862	\$ 10,329
Unobligated balance, end of year:		
Apportioned, unexpired account	1,453	755
Unexpired unobligated balance, end of year	1,453	755
Expired unobligated balance, end of year	1,305	692
Unobligated balance, end of year (total)	2,758	1,447
<b>Total budgetary resources</b>	<b>\$ 16,620</b>	<b>\$ 11,776</b>
<b>Outlay, net:</b>		
Outlays, net (total) (discretionary and mandatory)	\$ 9,835	\$ 11,062
Agency outlays, net (discretionary and mandatory)	\$ 9,835	\$ 11,062

The accompanying notes are an integral part of these statements.

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

**GENERAL FUND**

**NOTE 1 – SUMMARY OF 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 \$13,124 thousand in appropriated funding for fiscal year 2023, with the stipulation that "No less than \$3,150 thousand shall be available for the Inspector General". The Committee also received \$1,781 thousand from the General Services Administration (GSA) as part of their Technology Modernization Fund.

**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, 2023, 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.

All dollar amounts included in the financial statements and footnotes have been rounded to the nearest thousand dollar.

**New Accounting Standard**

In April 2018, the Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards 54: Leases (SFFAS 54), which among other things, requires lessees to (1) recognize operating leases as lease assets and lease liabilities on the balance sheet and (2) disclose key information about significant leasing arrangements. This new accounting standard will be effective for the Commission's FY2024 financial statements. While the required changes are prospective, the overall impact has not yet been determined.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Basis of Accounting**

Transactions are recorded on the accrual accounting basis in accordance with Generally Accepted Accounting Principles (GAAP). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

### **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.

### **Revenue and Other Financing Sources**

The Committee receives an annual appropriation. 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.

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.

### **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.

### **Accounts Receivable, Net and Advances and Prepayments**

Accounts Receivable, Net (Other than Intragovernmental) 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 – SUMMARY OF 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 thousand 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 thousand (\$25 thousand for leasehold improvements and software in development). Bulk purchases of lesser value items are capitalized when the cost is \$100 thousand 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.

### **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.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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.

### **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.

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

### **Net Position**

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

### **Intragovernmental Costs and Exchange Revenue**

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

### **Classified Activities**

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

**NOTE 2 – FUND BALANCE WITH TREASURY**

The fund balance with treasury is a consolidated balance of five annual funds (FY 2019, FY 2020, FY 2021, FY 2022 and FY 2023) and one no year fund (837X). The FY 2018 annual fund was cancelled and the remaining \$175 thousand fund balance was given back to Treasury during FY 2023.

	<u>2023</u>	<u>2022</u>
Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	\$ 1,453	\$ 755
(b) Unavailable	1,305	692
(2) Obligated Balance not yet Disbursed	<u>5,916</u>	<u>2,331</u>
Total	<u>\$ 8,674</u>	<u>\$ 3,778</u>

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Accounts Receivable - Other than Intragovernmental	<u>\$ 1</u>	<u>-</u>

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

Depreciation expense during the fiscal years ended September 30, 2023 and September 30, 2022 was \$184 thousand and \$98 thousand, respectively. There were no additions or disposals of property, plant and equipment during the fiscal years ended September 30, 2023 and September 30, 2022.

<u>2023</u>	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost	\$ 58	\$ 861	\$ 919
Accumulated Depreciation	(31)	(258)	(289)
Net Book Value	<u>\$ 27</u>	<u>\$ 603</u>	<u>\$ 630</u>
<u>2022</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Cost	\$ 58	\$ 861	\$ 919
Accumulated Depreciation	(19)	(86)	(105)
Net Book Value	<u>\$ 39</u>	<u>\$ 775</u>	<u>\$ 814</u>

**NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities of the Committee are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2023, the Committee showed liabilities covered by budgetary resources of \$2,043 thousand and liabilities not covered by budgetary resources of \$647 thousand. The only liabilities not covered by budgetary resources is the unfunded leave.

	2023	2022
Other than Intragovernmental		
Unfunded Leave	\$ 647	\$ 586
Total Liabilities not covered by budgetary resources	647	586
Total Liabilities covered by budgetary resources	2,043	584
Total Liabilities	\$ 2,690	\$ 1,170

**NOTE 6 – OTHER LIABILITIES**

Other than Intragovernmental liabilities for the year ended September 30, 2023 consist of Accrued Funded Payroll and Leave in the amount shown below. Other Intragovernmental liabilities for the year ended September 30, 2023 consist of Employer Contributions and Payroll Taxes Payable and Other Liabilities Without Related Budgetary Obligations.

	2023		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 34	\$ 34
Other Liabilities Without Related Budgetary Obligations	148	148	296
Total Intragovernmental	148	182	330
Other than Intragovernmental			
Accrued Funded Payroll & Leave	-	227	227
Total Other than Intragovernmental	-	227	227
Total Other Liabilities	\$ 148	\$ 409	\$ 557

Other than Intragovernmental liabilities for the year ended September 30, 2022 consist of Accrued Funded Payroll and Leave in the amount shown below. Other Intragovernmental liabilities for the year ended September 30, 2022 consist of Employer Contributions and Payroll Taxes Payable.

	2022		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 29	\$ 29
Total Intragovernmental	-	29	29
Other than Intragovernmental			
Accrued Funded Payroll & Leave	-	172	172
Total Other than Intragovernmental	-	172	172
Total Other Liabilities	\$ -	\$ 201	\$ 201



**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. On April 1, 2022, the Committee and OIG staff accepted ownership of and moved into the new headquarter building that is 7,433 square feet. The Committee is expected to cover lease costs in the new collocated headquarters.

The Committee’s cost of total operating lease expenses as of September 30, 2023 and 2022 were \$342 thousand and \$279 thousand respectively.

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

<b>Fiscal Year</b>	<b>Office Space Cost Estimates</b>
2024	\$322
2025	\$326
2026	\$140*
Total future payments	\$788

\*Represent partial lease from October 2025 to March 2026.

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

Obligations for the Commission in fiscal year 2023 were split between Category A and Category B on the SF 132, *Apportionment and Reapportionment Schedule*. All obligations in fiscal year 2022 were Category B on the SF 132, *Apportionment and Reapportionment Schedule*. Category A amounts are distributed by fiscal year quarter and Category B amounts are by a specific program, project, or activity. The amount of direct and reimbursable new obligations and upward adjustments incurred against amounts apportioned under Category A and Category B are as follows:

	2023	2022
Direct - Category A	\$ 12,556	\$ -
Direct - Category B	1,306	10,329
Reimbursable - Category A/B	-	-
Total	\$ 13,862	\$ 10,329

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

As of September 30, 2023, and September 30, 2022, the Commission did not have any contingent losses.

**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 \$409 thousand for FY 2023 and \$252 thousand for FY 2022. 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, 2023 and 2022, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2022 and 2021. These adjustments include recoveries of prior year paid and unpaid obligations, transfers from other accounts and other changes such as canceled authority. The adjustments during the years ended September 30, 2023 and 2022 are presented below.

	<u>2023</u>	<u>2022</u>
Unobligated balance, brought forward from prior year	\$ 1,447	\$ 681
Adjustments made during the current year		
Recoveries of prior year unpaid obligations	327	142
Recoveries of prior year paid obligations	113	-
Transfer from other accounts (GSA)	1,781	-
Balance withdrawn to Treasury (canceling fund)	<u>(174)</u>	<u>(47)</u>
Unobligated balance brought from prior year budget authority	<u>\$ 3,494</u>	<u>\$ 776</u>

**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. \$4,270 thousand was the amount of the Committee’s budgetary resources obligated for undelivered orders as of September 30, 2023.

	<u>2023</u>	<u>2022</u>
Federal Undelivered Orders	\$ 450	\$ 259
Non-Federal Undelivered Orders	3,820	1,628
Total Federal/Non-Federal Undelivered Orders	<u>\$ 4,270</u>	<u>\$ 1,887</u>
Paid Undelivered Orders - Federal	100	140
Unpaid Undelivered Orders - Federal	350	119
Unpaid Undelivered Orders - Non-Federal	3,820	1,628
Total Paid/Unpaid Undelivered Orders	<u>\$ 4,270</u>	<u>\$ 1,887</u>
Total Undelivered Orders	<u>\$ 4,270</u>	<u>\$ 1,887</u>

**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 2023 actual budgetary execution information is scheduled for publication in February 2024, 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 2022 SBR and the related President’s Budget reflected the following:

FY 2022	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 11,776	\$ 10,329	\$ -	\$ 11,062
Difference 1 - Unobligated Balance brought forward not included in Budget	(776)			
Difference 2 - Rounding		671		(62)
Budget of the US Government	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ -</u>	<u>\$ 11,000</u>

**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.

2023

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Operating Cost (SNC)</b>	<b>\$ 2,949</b>	<b>\$ 8,592</b>	<b>\$ 11,541</b>
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, plant, and equipment depreciation	-	(184)	(184)
<b>Increase/(Decrease) in Assets not affecting Budget Outlays:</b>			
Accounts receivable	-	1	1
Other assets	(40)	-	(40)
<b>(Increase)/Decrease in Liabilities not affecting Budget Outlays:</b>			
Accounts payable	(1,026)	(74)	(1,100)
Other liabilities (accrued funded payroll and leave and employer contributions and payroll taxes payable)	(4)	(56)	(60)
Federal employee and veteran benefits payable	-	(62)	(62)
<b>Other financing sources</b>			
Imputed Cost	(409)	-	(409)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>\$ (1,479)</b>	<b>\$ (375)</b>	<b>\$ (1,854)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Repayment	148	-	148
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>	<b>148</b>	<b>-</b>	<b>148</b>
<b>Net Outlays (Calculated Total)</b>	<b>\$ 1,618</b>	<b>\$ 8,217</b>	<b>\$ 9,835</b>
<b>Budgetary Agency Outlays, net (SBR Line 4210)</b>			<b>\$ 9,835</b>

2022

	Intragovernmental \$ 2,287	Other than Intragovernmental \$ 8,080	Total \$ 10,367
<b>Net Operating Cost (SNC)</b>			
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, plant, and equipment depreciation	-	(98)	(98)
<b>Increase/(Decrease) in Assets not affecting Budget Outlays:</b>			
Accounts receivable	-	(1)	(1)
Other assets	(11)	-	(11)
<b>(Increase)/Decrease in Liabilities not affecting Budget Outlays:</b>			
Accounts payable	60	84	144
Other liabilities (accrued funded payroll and leave and employer contributions and payroll taxes payable)	46	171	217
Federal employee and veteran benefits payable	-	(5)	(5)
<b>Other financing sources</b>			
Imputed Cost	(252)	-	(252)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>(157)</b>	<b>151</b>	<b>(6)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of capital assets	862	-	862
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>	<b>862</b>	<b>-</b>	<b>862</b>
<b>Other Temporary Timing Differences</b>	<b>(161)</b>		<b>(161)</b>
<b>Net Outlays (Calculated Total)</b>	<b>\$ 2,831</b>	<b>\$ 8,231</b>	<b>\$ 11,062</b>
<b>Budgetary Agency Outlays, net (SBR Line 4210)</b>			<b>\$ 11,062</b>

## NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 15, 2023, which is the date the financial statements were issued.

## 4. Other Information

### 4.1 Summary of Financial Statement Audit and Management Assurances

*Table 3. Summary of Financial Statement Audit*

Audit Opinion		Unmodified				
<b>Restatement</b>	No					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>*Reassessed</b>	<b>Ending Balance</b>
<b>Financial Reporting</b>	2	0	2			0
<b>Total Material Weaknesses</b>	2	0	2			0

*Table 4. Summary of Management Assurances*

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
<b>Statement of Assurance</b>	Unqualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>*Reassessed</b>	<b>Ending Balance</b>
<b>Financial Reporting</b>	2	0	2			0
<b>Total Material Weaknesses</b>	2	0	2			0
<b>Conformance with Federal Financial Management System Requirements (FMFIA § 4)</b>						
<b>Statement of Assurance</b>	Systems Conform					

### 4.2 Payment Integrity Information Act (PIIA) Reporting

The Commission incurs payment activity for vendor and employee payments. Controls are in place to review and reconcile payments on a quarterly basis, preventing significant improper payments from occurring. The Commission reports no improper payments for FY 2023. The Commission’s value of payments is below PIIA mandatory reporting threshold.

## **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 2023 in three key areas:

1. Implementation of financial and administrative controls
  - The Commission has built-in separation of duties, with the General Services Administration serving as a contracted financial, travel, human resources, payroll processing, and procurement services provider through an interagency agreement. Internally, financial transactions are prepared by the Chief Financial Officer or Deputy Chief Financial Officer, then the availability of funds is certified, and then approval is made 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. All financial reporting, including financial statements and necessary journal entries, is reviewed by the Chief Financial Officer 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 was 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 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, 2023

#### MEMORANDUM

FOR: Jeffrey Koses  
Chairperson  
U.S. AbilityOne Commission

FROM: Stefania Pozzi Porter   
Inspector General  
U.S. AbilityOne Commission

SUBJECT: FY23 Top Management and Performance Challenges Report (TMPC) facing the  
U.S. AbilityOne Commission in Fiscal Year 2024

In accordance with the Reports Consolidation Act of 2000,<sup>1</sup> the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission) in FY24, for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year (FY) 2023.

The Reports Consolidation Act requires that each agency's inspector general provide an annual summary perspective on the most significant management and performance challenges facing the agency, as well as a brief assessment of the agency's progress in addressing those challenges. The top challenges summarized in this document are based either on work conducted by the Office of Inspector General (OIG) or separate observations and discussions with senior leaders and staff at the U.S. AbilityOne Commission and other stakeholders.

The OIG identified the Top Management and Performance Challenges (TMPC) facing the Commission in FY 2024 as:

- 1) Implementation of the Strategic Plan:<sup>2</sup> a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance; b) Successful Implementation of the Section 898 Panel Recommendations; c) Use of an Enterprise-wide Risk Management (ERM) Framework.
- 2) Breakdowns in Internal Control over Financial Management and Reporting

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<sup>1</sup> Pub. L. No. 106-531.

<sup>2</sup> U.S. AbilityOne Commission's Strategic Plan for FY 2022–2026. June 30, 2022. The Plan has four strategic objectives and directly engages top challenges identified in the OIG's TMPC reports.

Appendix A – Watch Item 1: List of Unimplemented OIG Audit Recommendations

Watch Item 2: Program Growth and Resulting Risk

Appendix B –898 Panel Recommendations for Commission action.

OIG provided a draft of this report to Commission management, whose comments on the Commission’s progress in each challenge area have been considered and/or incorporated into this final version.

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.

# Top Management and Performance Challenges Report

## Introduction

In accordance with the Reports Consolidation Act of 2000,<sup>3</sup> the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission) in Fiscal Year (FY) 2024, for inclusion in the Commission's Performance and Accountability Report (PAR) for FY23.

The Reports Consolidation Act requires that each agency's inspector general provide an annual summary perspective on the most significant management and performance challenges facing the agency, as well as a brief assessment of the agency's progress in addressing those challenges. The top challenges summarized in this document are based either on work conducted by the Office of Inspector General (OIG) or separate observations and discussions with the U.S. AbilityOne Commission and other stakeholders.

The OIG identified the top management and performance challenges facing the Commission in FY24 as:

- 1) Implementation of the Strategic Plan
  - a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance
  - b) Successful Implementation of the Section 898 Panel Recommendations
  - c) Use of an Enterprise-wide Risk Management (ERM) Framework
- 2) Breakdowns in Internal Control over Financial Management and Reporting

Appendix A – Watch Item 1: List of Unimplemented OIG Audit Recommendations  
Watch Item 2: Program Growth and Resulting Risk

Appendix B –898 Panel Recommendations for Commission action.

OIG provided a draft of this report to Commission management, whose comments on the Commission's progress in each challenge area have been considered and/or incorporated into this final version. We appreciate the Commission's ongoing support for the OIG's oversight mission.

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<sup>3</sup> Pub. L. No. 106-531.

## 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). The Commission has about 34 full-time employees<sup>4</sup> for the administration of the AbilityOne Program.

### About the U.S. AbilityOne Commission

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

### About the AbilityOne Program

The AbilityOne Program facilitates the use of government procurement to provide employment in the United States for people who are blind or have significant disabilities. Approximately 40,000 individuals, including more than 2,500 veterans, are employed nationwide at approximately 450 nonprofit agencies (NPAs) from Maine to Guam. AbilityOne provided nearly \$4 billion in products and services to approximately 40 Federal government agencies in FY 2022.

In June 2022, the U.S. AbilityOne Commission issued its new Strategic Plan.<sup>5</sup> The plan is for Fiscal Years (FY) 2022-2026 and outlines four Strategic Objectives:

1. Transform the AbilityOne Program to expand competitive integrated employment (CIE) for people who are blind or have significant disabilities.
2. Identify, publicize, and support the increase of good jobs and optimal jobs in the AbilityOne Program.
3. Ensure effective governance and results across the AbilityOne Program.
4. Engage in partnerships to increase employment for people who are blind or have significant disabilities within and beyond the AbilityOne Program

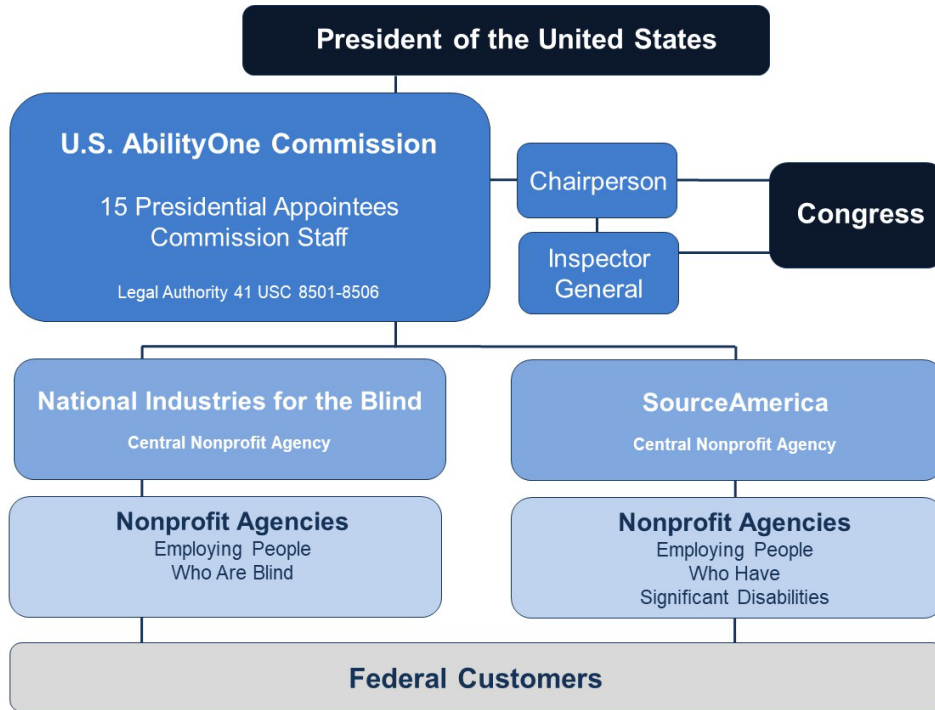
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<sup>4</sup> Thirty-four full-time employees at the end of FY23. This does not include the OIG.

<sup>5</sup> U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022.

Figure 1:

## AbilityOne Program Organization



# Top Management and Performance Challenges

## 1) Implementation of the Strategic Plan

In June 2022, the Commission published its Strategic Plan for Fiscal Years 2022–2026 (the Strategic Plan or Plan).<sup>6</sup> The Plan has four strategic objectives and directly engages the top challenges identified in the OIG’s 2021 TMPC report.

Specifically, the Commission’s Plan Strategic Objective III, “Ensure Effective Governance and Results Across the AbilityOne Program”—incorporates outcomes of OIG’s oversight work. Under Strategic Objective III, Outcome Goal 1, the Commission expressed its intent to “Address top management and performance challenges to improve the operation of the Commission, the CNSs, and the NPAs.”

In this FY2023 report, OIG identified the implementation of the Strategic Plan, with its subsets, as one of the most pressing challenges facing the Commission in FY24.

- 1) Implementation of the Strategic Plan
  - a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance
  - b) Successful Implementation of the Section 898 Panel Recommendations
  - c) Use of an Enterprise-wide Risk Management (ERM) Framework

## Implementation of the Strategic Plan

### a) Implementation of new Cooperative Agreements with the CNAs to Modernize and Enhance Program Compliance

The U.S. AbilityOne Commission’s mission, as outlined in its new Strategic Plan, requires work to be carried out collaboratively by the Central Nonprofit Agencies (CNAs) and the NonProfit Agencies (NPAs) with the Commission.

“The Commission’s vision requires changes in the Commission’s approach to NPA compliance for the purpose of conducting both oversight and technical assistance within the same operational framework. This shift will require the CNAs’ steadfast commitment to support and achieve the goals of this plan.”<sup>7</sup>

Given the role in the Strategic Plan of the CNAs and NPAs, achieving the AbilityOne mission outlined in the new Strategic Plan will require new and updated cooperative agreements. Alignment with the Strategic

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<sup>6</sup> U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022. [AbilityOne Strategic Plan FY 2022-2026 Final](#). The Commission has also published a summary of its Strategic Plan. [Highlights-AbilityOne Strategic Plan FINAL](#)

<sup>7</sup> Message from the U.S. AbilityOne Commission Chairperson, U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022. <https://www.abilityone.gov/commission/documents/AbilityOne%20Strategic%20Plan%20FY%202022-2026%20Final.pdf>

Plan includes creating “good jobs” and, where possible “optimal jobs,” and delivering quality contract performance. Under Strategic Objective III, Outcome Goal 1, Strategy 3, the Commission identified its need to “Modernize and enhance the oversight of NPA compliance with the strategic direction of the AbilityOne Program.” To achieve this Objective and Strategy, the Commission has established two Performance Measures:

#### **Performance Measure 5**

The Commission’s compliance team is provided with full and timely access to all reports and data from the CNAs’ technical assistance reviews and site visits of associated NPAs.

#### **Performance Measure 6**

The Commission’s compliance team has identified and presented to the Commission at least five recommendations to continue to implement rigorous documentation requirements while making compliance visits more beneficial for the Commission and the NPAs.

### **Why This Is a Challenge**

Pursuant to 41 CFR Part 51-4, the Commission’s Oversight and Compliance Office assesses the 450 AbilityOne NPAs, with their 36,000 employees, for compliance with AbilityOne program requirements. Inspections by the Commission’s Compliance office include verification of the NPA’s direct labor hour ratios, eligibility requirements (i.e., NPA-provided documentation regarding the employee’s blindness or significant disability), and company health and safety standards.

The OIG audit of the Compliance Program<sup>8</sup> found that the Commission’s procedures to monitor program compliance are insufficient, including that the Commission’s procedures for reviewing compliance transactions are not documented, they do not request sufficient information from CNAs to monitor compliance, and weaknesses in the Commission’s approach to NPA compliance visits reduces overall effectiveness. In addition, the audit of the Compliance Program identified that some policies are still outdated, while others are incomplete and/or unclear.<sup>9</sup>

The audit findings presented an opportunity for the Commission to improve the quality of compliance monitoring, which will help identify risks for fraud, as reflected in civil fraud settlements with the Department of Justice by Goodwill Memphis,<sup>10</sup> Wisconsin-based Industries for the Blind and Visually Impaired,<sup>11</sup> and CW Resources, Inc.<sup>12</sup>

### **Progress in Addressing the Challenge**

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<sup>8</sup> OIG announcement of initiation of Audit of the Compliance Program, December 16, 2020, <https://www.oversight.gov/node/102316>

<sup>9</sup> Audit of the Compliance Program, report issued January 26, 2023. <https://abilityone.oversight.gov/reports/audit/audit-us-abilityone-compliance-program>

<sup>10</sup> <https://www.justice.gov/usao-wdtn/pr/memphis-goodwill-industries-inc-will-pay-150000-united-states-claims-were-violation>

<sup>11</sup> <https://www.justice.gov/opa/pr/wisconsin-based-nonprofit-pay-19-million-settle-allegations-false-claims-and-kickbacks>

<sup>12</sup> <https://www.justice.gov/usao-ct/pr/connecticut-employment-contractor-pays-600k-resolve-federal-false-claims-act-allegations>

## Modified Compliance Challenge

In its FY 2022–2026 Strategic Plan, the Commission envisions a new approach for compliance, which includes setting forth expectations that NPAs will meet new elements of compliance beyond the NPA’s appropriate documentation of a qualifying disability and achieving the mandated 75% Direct Labor Hour (DLH) ratio. This includes the expectation that every AbilityOne job will be a “good job” defined as follows:

- 1) Employees are paid competitive wages and benefits.
- 2) Employees are covered under all employment laws.
- 3) The NPA performs job customization for each entering employee with a qualifying disability.
- 4) The NPA does a person-centered employment plan for each employee with a qualifying disability.

The Strategic Plan also encourages NPAs to create “optimal jobs” whenever possible within the DLH ratio constraints of the statute. An optimal job has the four components of a good job but is also performed in an integrated setting in which people with and without disabilities work together doing the same or similar jobs.

The Strategic Plan also includes a heightened focus on contract performance as part of its compliance expectations. Compliance reviews will, therefore, focus on whether the NPA has provided quality services and products that have resulted in customer satisfaction.

The Commission has indicated that some NPAs have not traditionally focused on job customization, employment plans, and outward placements for their employees with disabilities.

The Commission stated that the Compliance Program, as newly envisioned in the Strategic Plan, will include a determination of an NPA’s technical capacity and financial resources to meet the new compliance expectations.

The Commission reported that several Commission members and staff met with CNAs National Industries for the Blind (NIB) and SourceAmerica on April 11, 2023, to begin discussing some of the necessary updates to and elements of the next Cooperative Agreements. The Commission further reported that it also met several times with AbilityOne nonprofits (the “compliance council”) and other stakeholders to discuss the draft policies.

The Commission notes that, with the new Strategic Plan, the CNAs must actively assist their NPAs in achieving the results expected by the Commission for its AbilityOne Program. These expectations for the CNAs will be set forth in the revised Cooperative Agreements by the 4<sup>th</sup> quarter of FY 2024, once the Commission’s updated compliance policies have been issued. The Commission also noted that the CNAs will play a strong role in the implementation of the new approach to NPA compliance and that this will be considered when the Cooperative Agreements are negotiated.

In regard to the OIG performance audit of the Cooperative Agreements, in FY 2023, two of the open audit



recommendations related to the Cooperative Agreements were assessed as closed by the OIG. Those are tracked as PMO-2020-04 and PMO-2020-09. The Commission staff is working towards the closure of the remaining recommendations.

The Commission reports that it is in the process of updating its compliance policies to convey the new structure for compliance and the expectations of the CNAs in inspecting the NPAs, including the NPAs' obligations regarding workforce development activities. The Commission is also updating its compliance guidance for documenting a qualifying disability that will reduce burdens on the NPAs.

Specifically, in FY 2023:

- The Commission published three draft compliance policies for comment on January 31, 2023, and issued revised drafts of the three policies on April 5, 2023.<sup>13</sup>
  - Policy 51.400 articulates the Commission's new compliance approach; the CNAs' duties to ensure NPA compliance and provide frontline inspections; and the Commission's intended quality assurance oversight of the CNAs' compliance inspections.
  - Policy 51.403 articulates clearer and streamlined requirements for documentation of disability, relying on third-party government sources where possible.

The Commission has informed OIG that the first two updated compliance policies will be finalized and issued by the end of the first quarter of FY24.

- Policy 51.405 explicates the requirements for the NPAs' workforce development activities of job individualization, employee career plans, and career advancement programs.

The Commission has informed OIG that this policy will be finalized and issued after a contractor provides the Commission with substantive content for the workforce development activities.<sup>14</sup> The Commission has informed OIG that it expects to issue Policy 51.405 in January 2024.

- The Commission announced that it will issue five updated compliance policies addressing the initial and continuing qualifications of NPAs to participate in the program; the direct labor hour ratio requirement; NPAs' compliance with employment laws; and administrative actions by the Commission for purposes of corrective actions. The Commission has informed OIG that these draft policies will be issued for comment during the second quarter of FY 2024.

The updated expectations on the NPAs and the CNAs reflect a significant modernization of the AbilityOne program. This modernization responds to many of the concerns raised during the work of the 898 Panel. A top management challenge for the Commission is to successfully implement the new

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<sup>13</sup> <https://www.abilityone.gov/commission/draftcompliancepolicies.html>

<sup>14</sup> U.S. AbilityOne Commission Awards Contract for Developing AbilityOne Program Career Planning Support Resources, Celebrates 50th Anniversary of Rehabilitation Act of 1973. September 27, 2023, [U.S. AbilityOne Commission Awards Contract for Developing AbilityOne Program Career Planning Support Resources, Celebrates 50th Anniversary of Rehabilitation Act of 1973](#)

direction it has set out for the AbilityOne Program. The Commission's needs for it entail increased compliance staffing and resources.

## Implementation of the Strategic Plan

### **b) Successful implementation of Section 898 Panel Recommendations for Increased Accountability, Oversight, and Integrity in the Program**

In its Strategic Plan, the Commission specifically addresses the 898 Panel's remaining recommendations for Commission implementation.

#### 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 consisted 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 consisted 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.

Section 898 of the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328) required the Secretary of Defense to establish the "Panel on Department of Defense and U.S. AbilityOne Contracting Oversight, Accountability and Integrity" ("the Panel"). In December 2021, the Panel sunset when it issued its fourth and final annual report to Congress, culminating more than four years of effort, including research, debate, and stakeholder engagement by a diverse Panel comprised of senior executives and staff from 10 Federal agencies.<sup>15</sup> Also, the final Report stated that a supplemental report would be sent to Congress on proposed amendments to JWOD and the Commission led that interagency effort from May 2022 to August 2022.<sup>16</sup>

The primary mission of the Panel was 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 issued its fourth, and final

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<sup>15</sup> Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity: Fourth and Final Annual Report to Congress (December 2021)

[https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report\\_0.pdf](https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report_0.pdf)

<sup>16</sup> Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity: Fourth and Final Annual Report to Congress

(December 2021) [https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report\\_0.pdf](https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report_0.pdf) (p. 26).

report in February 2022 to Congress.<sup>17</sup> The report provided progress on the implementation of the recommendations identified in the Panel’s previous three reports to Congress. This final report was the last of a series of reports by the 898 Panel, except for a supplemental report issued by December 2022.

A challenge for the U.S AbilityOne Commission will be implementing the outstanding 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. Partnering with the Commission, multiple agencies represented in the 898 Panel have a part in the success of completing these recommendations. 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.

### Progress in Addressing the Challenge

The 898 Panel was responsible for recommendations in seven areas of Congressional interest. The primary mission of the Panel was 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 Commission also worked with an Interagency Task Force in addressing the 898 Panel recommendations. The final 898 Report stated that a supplemental report would be sent to Congress on proposed amendments to JWOD and the Commission led that interagency effort from May 2022 to August 2022.

We have included a table of 898 Panel recommendations in Appendix B, which also contains the table the Commission prepared for inclusion in the 898 supplemental report to Congress. The Commission is continuing to work to implement and integrate the recommendations to increase the accountability, oversight, and integrity of its Program. Execution of these recommendations will positively impact the employment opportunities for individuals who are blind or have other significant disabilities.

The 898 Panel provided increased opportunities for outreach between the Commission, the AbilityOne program, and DoD, including through program visits, meetings with DoD customers, and designing a communication initiative for the 898 Panel recommendations for the CNAs and the NPAs. This included 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 input to improve the AbilityOne Program.

During 2022, the Commission worked extensively to facilitate the completion of the open recommendations of the 898 Panel. Several of the Panel’s open recommendations were included in a mini-report attached to its fourth and final report to Congress. These recommendations required action by the Commission to establish or update policies, business practices, and regulations that will modernize the AbilityOne Program, and fulfill its mission. The Panel noted in its final report that the Commission requires a higher level of funding in the future to fully implement and sustain these changes to the

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<sup>17</sup> <https://abilityone.oversight.gov/articles/news/898-panel-issues-fourth-and-final-annual-report-congress>

AbilityOne Program. The funding would allow the Commission to further strengthen oversight, accountability, and integrity with respect to the program's DoD contracts.

In the meantime, this OIG report highlights several accomplishments and notes remaining areas for improvement. One of the 898 Panel subcommittees, the AbilityOne IG subcommittee, made recommendations that additional training be conducted, and that training content be regularly updated by the U.S. AbilityOne Commission in coordination with the Defense Acquisition University (DAU). The Commission has successfully implemented this recommendation thanks to the creation of the content for the Defense Acquisition University (DAU) acquisition training program, and, per the recommendation, the Commission is also working to continuously update the AbilityOne training material to ensure the training materials are current.

As a result of its initial work, the 898 Panel first developed 41 recommendations. Some of the recommendations were implemented through policy issuances from the Department of Defense and the AbilityOne Commission. When the Panel issued its fourth and final report,<sup>18</sup> half of its consolidated 24 recommendations were tracked as complete, and the remaining 12 were in various stages of implementation. While the Defense Acquisition University (DAU) and the Office of Defense Pricing and Contracting (DPC) were also directed to complete certain actions via mini-reports in the Panel's final report, each of the 12 open or partially completed recommendations required some Commission support or input. Three of the closed recommendations required ongoing support from the Commission.<sup>19</sup>

In FY 2023, the Commission made progress on at least nine of the 12 remaining recommendations that were in process:

On October 19, 2022, the Commission's revised regulation for NPA qualification became final, including a requirement to pay at least minimum wage on all AbilityOne contracts. An inclusive workplace and career advancement are addressed in the Commission's draft compliance policy updates. (Implements 1 recommendation).

Since January 31, 2023, the Commission has been strengthening its Compliance approach with public input. The first two updated compliance policies will be final by December 1, 2023. Another five policies will be issued for comment during the second quarter of FY 2024. (Implements 2 recommendations).

On March 13, 2023, the Commission published a Notice of Proposed Rulemaking, "Supporting Competition in the AbilityOne Program," that will authorize the use of price competition in the Program at certain thresholds. This action demonstrates progress towards implementing 898 Panel Recommendations 10 and 11. The rule includes language regarding the deauthorization of NPAs as necessary, which was another Panel recommendation. (Implements 3 recommendations total).

On April 13, 2023, the Commission transmitted three legislative proposals to amend the JWOD Act to Congress, including the submission of legislative proposals to address modernization initiatives aligned to Appendix B of the 898 Panel's report to Congress, and including the Panel's recommendation to

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<sup>18</sup> See Appendix B.

<sup>19</sup> See Appendix B.

increase efficiency by updating the Commission’s method for notifying the public of proposed Procurement List actions -- using www.SAM.gov instead of the Federal Register. (Further implements 1 recommendation).

On September 4, 2023, the Commission awarded a contract to update the Procurement List Information Management System (PLIMS), which will improve the search functions to enable a more user-friendly interface and be usable to outside agencies. (Implements 898 Panel recommendation No. 15)<sup>20</sup>. On October 23, 2023, the Commission announced that as part of modernization initiatives aligned with its strategic plan, it is conducting the analysis phase of its contract to develop the next generation of the Commission’s Procurement List Information Management System (PLIMS).<sup>21</sup>

The Commission stated that, by the end of the first quarter of FY24, it will initiate the notice-and-comment process to establish an updated NPA data collection form that will replace one part of the IEE form. (Partially implements 1 recommendation). The Commission stated that, during the second quarter of FY24, it will initiate the notice-and-comment process to establish a second data collection form that will replace the second part of the IEE form. (Fully implements 1 recommendation.)

The actions taken to date regarding the 898 Panel recommendations are improving the oversight, accountability, and transparency in contracting with the AbilityOne Program network, strengthening employment opportunities, and should result in improved customer experience for the DoD with the AbilityOne Program.

## Implementation of the Strategic Plan

### **c) Use of an Enterprise Risk Management (ERM) framework to evaluate, prioritize, and track corrective action plans**

The new Strategic Plan states that the Commission will aggressively deploy its Enterprise Risk Management (“ERM”) framework, initiated in 2020, to evaluate, prioritize, and track corrective actions.<sup>22</sup>

#### Why This is a Challenge

In July 2016, the Office of Management and Budget (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.<sup>23</sup> OMB Circular A-123 provides guidance to Federal

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<sup>20</sup> 898 Panel recommendation No. 15: 15 - Update the PLIMS to reflect detailed information, improve the search functions to enable a more user-friendly interface, and be usable to outside agencies.

<sup>21</sup> U.S. AbilityOne Commission Conducts Analysis Phase of Contract to Upgrade Procurement List Information Management System. Oct. 23, 2023, [U.S. AbilityOne Commission Conducts Analysis Phase of Contract to Upgrade PLIMS](#)

<sup>22</sup> U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022.

<sup>23</sup> OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, [https://www.whitehouse.gov/wp-content/uploads/legacy\\_drupal\\_files/omb/memoranda/2016/m-16-17.pdf](https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-17.pdf)

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.

The Commission faced a significant challenge due to the absence of a formal enterprise-wide program for organizational risk. This hindered the Commission's ability to effectively prioritize and manage risks, a critical aspect of achieving strategic objectives. Since 2017, when it issued its first report on the top management and performance challenges facing the Commission, and in the subsequent annual reports, the Office of Inspector General (OIG) has highlighted this as a top management challenge.

Circular A-123 mandated federal agencies, including the Commission, to implement ERM procedures for effective risk management.

In July 2020, OIG issued a management alert emphasizing the lack of progress in implementing an ERM framework, leaving the Commission susceptible to fraud, mismanagement of resources, and compromising efficient administration of the AbilityOne program. While the Commission did take initial steps in this regard, further development of the ERM framework was necessary to respond effectively to both anticipated and unforeseen events. The need for an ERM system was underscored as the Commission sought to increase resources, aligning with the objectives outlined in their Congressional Budget Justification.

### Progress In Addressing the Challenge

Chairperson Koses and the Commission members demonstrated significant progress in addressing the ERM challenge. A commissioner-led subcommittee on enterprise risk management and auditing was established, and the appointment of a Chief Financial Officer in 2021 marked a pivotal moment. The CFO implemented stronger controls and initiated the building of the ERM framework. Throughout 2023, the CFO contributed to the development and execution of the ERM Planning.

In recent communications with the OIG, the Commission stated that its ERM program was being fully implemented and that it used the ERM framework to identify risks and has established and tracked corrective action milestones. Specifically, the Commission stated that in FY 2023, they conducted Quarterly ERM Meetings and Subcommittee meetings to facilitate the identification and review of risks, as well as discussions on the progress in meeting risk mitigation plans. The Commission further stated that it cross-walked the ERM Risk Register to the Strategic Plan Performance Measures, enhancing reporting in the annual Performance Accountability Report. Notably, according to the Commission, four out of 32 Risk Mitigation Plans were successfully closed, addressing critical areas such as internal controls, ethics programs, enterprise risk management program establishment, and response to the COVID-19 pandemic. In its Strategic Plan and Performance Measure 1, the Commission indicated its commitment to using the ERM system to identify risks and establishing/tracking corrective action milestones.<sup>24</sup>

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<sup>24</sup> Strategic Plan, Performance Measure 1: The Commission has used the ERM system to identify risks and has established

These steps indicate an enhancement in the Commission's ability to mitigate and avoid risks. On November 1, 2023, the OIG announced the initiation of an audit of the AbilityOne Commission's ERM process. The OIG audit's overall objective is to determine if the Commission's ERM process is effective and used to make risk-based decisions.

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and tracked corrective action milestones. U.S. AbilityOne Commission's Strategic Plan for FY 2022–2026. June 30, 2022.

## Top Management and Performance Challenge 2

### 2) Breakdowns in internal control over financial management and reporting

#### Why This Is a Challenge

Effective financial management is crucial for federal agencies to fulfill their missions efficiently. The Commission has made great strides in confronting substantial challenges in internal control over its financial management operations, but some challenges in financial management and reporting persist. For the FY 2023 Financial Statement Audit, the OIG contracted with independent public accounting firm Harper, Rains, Knight & Company (HRK). HRK conducts the audit, and the OIG provides oversight as required by the IG Act of 1978, as amended.

The FY2023 FSA audit report is in draft as of the date of this report. In it, the auditors reissued four findings and 11 corresponding recommendations (only three of these recommendations will be included in the formal audit report due to the level at which the finding will be reported).

Despite the absence of material weaknesses in the Commission's FY 2023 Financial Statement Audit, financial management remains challenging due to control environment issues.

In prior fiscal years, the Financial Statement audit performed by the IPA firm Allmond & Company, LLC (Allmond) identified potential violations of the Antideficiency Act (ADA) in 17 instances,<sup>25</sup> covering fiscal years 2019 and 2020.<sup>26</sup> These violations include impermissible charges to incorrect Treasury Account Symbols (TAS) and erroneous adjustments to obligations, highlighting the need for robust controls. As stated in the FY 2022 reporting by OIG, to date, these verified violations have not been formally reported to the President and Congress in accordance with 31 USC §1517(b). The Commission has informed OIG that the proposed required communications have been sent to OMB and that they are awaiting OMB action.

#### Progress In Addressing the Challenge

Despite the challenges, the Commission has made noteworthy progress in addressing internal control breakdowns. The Commission continued the activities of its Commission-member-led subcommittee on enterprise risk management, signaling a commitment to enhancing overall risk management practices.

The Office of the CFO has actively worked to address Antideficiency Act (ADA) violations and has implemented additional controls over funds management, obligations, and payments to prevent future ADA violations. In March 2021, the Commission submitted a draft ADA violations' report to the Office of Management and Budget (OMB). In August 2021, OMB requested an update and revision to the draft

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<sup>25</sup> <https://www.oversight.gov/sites/default/files/oig-reports/CPFBSD/FSA-2021-Financial-Statement-Audit-Transmittal-Letter-and-ReportFINAL.pdf>

<sup>26</sup> There were no potential ADA violations found in FY 2021.



report, which is currently still under review by the OMB Examiner. The Commission is awaiting, pending the OMB Examiner's review.

Affirmatively tackling the challenges identified in the FY 2021 financial statement audit, the Commission obtained clean FY 2022 and FY 2023 Financial Statement Audit opinions. Notably, seven prior-year open audit recommendations were closed during the FY 2022 Financial Statement Audit, reflecting a proactive approach to rectifying previously identified issues.

In addition, during the FY 2023 financial statement audit, auditors closed six findings and 31 recommendations from the previous year's audit and downgraded two findings from either noncompliance with law and regulation or material weakness to issues included in a management letter of comment (i.e., an issue not rising to the level of needing to be included in the formal audit report).

One issue previously categorized as a material weakness was downgraded to a significant deficiency, reflecting an improvement in the Commission's internal control. These efforts collectively demonstrate the Commission's dedication to enhancing its internal control over financial management and reporting, setting the stage for continued improvement in subsequent audits.

The OIG conducted an audit of the Commission's compliance with the provisions of the Digital Accountability and Transparency Act of 2014 (DATA Act).<sup>27</sup> Our audit found that the Commission did not generally comply with the DATA Act for 2021.<sup>28</sup> The Commission's subsequent implementation of all six DATA Act audit open recommendations and the closure of three out of six open recommendations from the audit underscore the Commission's commitment to addressing and rectifying shortcomings in its internal controls.

## Conclusion

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission) in FY24, for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year (FY) 2023.

The OIG identified the top management and performance challenges (TMPC) facing the Commission in FY 2024 as:

1) Implementation of the Strategic Plan: a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance; b) Successful Implementation of the Section 898 Panel Recommendations; c) Use of an Enterprise-wide Risk Management (ERM) Framework.

2) Breakdowns in Internal Control over Financial Management and Reporting

Appendix A – Watch Item 1: List of Unimplemented OIG Audit Recommendations

Watch Item 2: Program Growth and Resulting Risk

Appendix B – 898 Panel Recommendations for Commission action.

OIG provided a draft of this report to Commission management, whose comments on the Commission’s progress in each challenge area have been considered and/or incorporated into this final version.

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.

## Appendix A: Watch Items

### Watch Item 1: List of Unimplemented OIG Audit Recommendations

The OIG decided to remove The Growing List of Unimplemented OIG Audit Recommendations from the Challenge list, as a result of the significant progress the Commission has made in addressing the recommendations. The progress includes the commitment that the Commission has shown in the past year to closing longstanding audit recommendations.

For example, the Commission requested *ad hoc* meetings with OIG specifically for discussing all the open recommendations, their status, and the corrective actions taken. This proactive engagement underscores the Commission's new, systematic approach to address OIG audit recommendations.

In FY23 alone, the Commission closed 18 recommendations, and as of September 30, 2023, 80 recommendations remained open. Subsequently, in November 2023, during the final stages of the FY 23 financial statement audit, an additional 31 recommendations were closed, and three new recommendations were issued, along with two recommendations issued as part of the FISMA audit. This concerted effort by the Commission to mitigate risks and improve their internal control over financial management operations brought the number of open audit recommendations down to 54 as of the date of this report.

While OIG is removing this as a challenge, it is essential that the Commission continue devoting attention to addressing any remaining OIG audit recommendations, existing, and going forward. OIG will continue its role of assessing supporting evidence to ensure the sufficiency of actions taken by the Commission for OIG recommendation closure.

### Watch Item 2: AbilityOne Program Growth and Resulting Risk

Pursuant to efforts performed by the AbilityOne Commission led by Chairperson Jeffrey Koses, a memorandum dated October 30, 2020, OMB's Office of Federal Procurement Policy ("OFPP"),<sup>29</sup> directed agencies across the federal government<sup>30</sup> 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, 19 CFO Act agencies have named ABORs, and 12 agencies have made pledges to increase their AbilityOne utilization.<sup>31</sup> The Commission anticipates that the ABOR Program will increase AbilityOne contracts, and

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<sup>29</sup> OMB Memorandum entitled "Increasing the Participation of Americans with Disabilities in Federal Contracting," dated October 30, 2020.

<sup>30</sup> The memorandum applies to the 24 agencies named in the Chief Financial Officers Act, Pub. L. No. 101-576 (November 15, 1990).

<sup>31</sup> U.S. AbilityOne Commission's Comments to OIG's TMPC, "Points for Consideration Top Management Challenges," dated November 5, 2021.

with growth comes increased risk. Accordingly, OIG keeps the AbilityOne Program's growth on a watch list as a potential, reportable challenge for the Commission in this 2023 report.

OIG also understands that a priority of the Commission is first to see evidence that the NPAs are implementing what is needed to offer good jobs, as defined in the strategic plan. This is consistent with the language that the plan's outcome goals, strategies and performance measures all clearly communicate the Commission's direction and resource prioritization.

## Appendix B: 898 Open Recommendations<sup>32</sup>

### List of 898 Panel’s Open or Ongoing Recommendations for Commission Action, as of November 15, 2023

#	Recommendation for Commission Action	Complete	Status
<b>Subcommittee One: Inspector General</b>			
N/A	U.S. AbilityOne Training must be continually updated, as Panel recommendations are implemented.	<input checked="" type="checkbox"/>	Ongoing; periodic updates are made as needed.
<b>Subcommittee Two: Eliminate Waste, Fraud, and Abuse</b>			
1	Increase oversight and strengthen audit coverage.	Partially; ongoing efforts continue	Commission conducted 200+ compliance reviews in FY22–FY23. All compliance policies are being updated to strengthen the guidance.
2	Impose stricter requirements on NPAs for documentation of significant disability and eligibility determinations.	Partially; ongoing efforts continue	All compliance policies are being updated to strengthen the guidance. The new policies emphasize third-party disability certifications as Panel advised.

<sup>32</sup> The original chart can be found in the original Fourth and Final 898 Report, figure 4, pages 19-21. Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity Fourth and Final Annual Report to Congress For the period November 1, 2020 through October 31, 2021  
<https://www.acq.osd.mil/asda/dpc/cp/policy/docs/a1/USA002292-21-Report-w-Appendix.pdf>  
[USA002292-21-Report-w-Appendix.pdf \(osd.mil\)](https://www.acq.osd.mil/asda/dpc/cp/policy/docs/a1/USA002292-21-Report-w-Appendix.pdf)  
[ASD\(A\) - DPC - Contract Policy \(osd.mil\)](https://www.acq.osd.mil/asda/dpc/cp/policy/docs/a1/USA002292-21-Report-w-Appendix.pdf)

#	Recommendation for Commission Action	Complete	Status
<b>Subcommittee Three: Employment Initiatives (merged into Eight – see below)</b>			
<b>Subcommittee Four: Laws and Regulations</b>			
3	Recommend an amendment to 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.	Completed for action by the Commission; may be acted upon by Congress	The Commission convened an interagency working group, received clearance, and submitted a legislative proposal to provide pilot test authority for various direct labor ratios in FY 2023.
4	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.	Completed for action by the Commission; may be acted upon by Congress	The Commission convened an interagency working group. No consensus was reached on new definitions. The group’s discussions may inform future legislative efforts.
5	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.	Completed for action by the Commission; may be acted upon by Congress	The Commission convened an interagency working group. No consensus was reached on new definitions. The group’s discussions may inform future legislative efforts.

#	Recommendation for Commission Action	Complete	Status
<b>Subcommittee Five: Veterans Eligibility (merged into Subcommittee Eight; see below)</b>			
<b>Subcommittee Six: Acquisition and Procurement</b>			
6	Establish business rules for competition and assignment of work among AbilityOne Program NPAs.	In process; NPRM published on March 13, 2023.	Public comments reviewed and listening sessions held in FY 2023. Next, the final rule will be submitted for interagency clearance and final publication.
7	Establish penalties if a CNA or NPA does not follow policies and procedures.	In process; NPRM published on March 13, 2023	Public comments reviewed and listening sessions held in FY 2023. Next, the final rule will be submitted for interagency clearance and final publication.
8	Revise 41 Code of Federal Regulation (CFR) 51 to include information regarding the deauthorization of NPAs as the authorized source on the PL.	In process; NPRM published on March 13, 2023	Public comments reviewed and listening sessions held in FY 2023. Next, the final rule will be submitted for interagency clearance and final publication.

<b>Subcommittee Seven: Business Process Re-engineering</b>			
N/A	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.	<input checked="" type="checkbox"/>	Ongoing – Contract awarded for PLIMS modernization in FY 2023.
9	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.	In process	Ongoing – Contract awarded for PLIMS modernization in FY 2023.
N/A	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.	<input checked="" type="checkbox"/>	All major DoD components have ABORs and active ABOR programs.
10	Pursue Defense Federal Acquisition Regulation Supplement (DFARS) (Procedures, Guidance, and Information [PGI] language) to detail how to do business with the AbilityOne Program.	In process	Commission staff policy working group will harmonize proposed DFARS information with updated Commission policies and guidance
<b>Subcommittee Eight: Employment Initiatives and Veterans Eligibility</b>			
11	Change the Commission’s regulation for initial NPA qualification to include (a) employment criteria of at least minimum wage comparable to coworkers, (b) a work setting that is inclusive of people with and without disabilities, and (c) opportunities for advancement.	<input checked="" type="checkbox"/>	Section (a) implemented by a new regulation; section (b) adopted to the extent legally possible in in the Strategic Plan; section (c) fully adopted in the Strategic Plan.



12	Modify the Individual Eligibility Evaluation process to enhance the eligibility analysis and certification of results.	In process	A new eligibility form has been designed, aligned with policy updates. The public notice and 60-day comment period for this Information Collection Request will be posted on Nov. 17, 2023.
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## Appendix 1: Performance Measures Status

### U.S. AbilityOne Commission FY 2022-2026 Strategic Plan

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	FY2023 STATUS
<p><b>Strategic Objective I:</b> Transform the AbilityOne Program to Expand Competitive Integrated Employment (CIE) for People Who Are Blind or Have Significant Disabilities.</p>	<p><b>Performance Measure 1:</b> The Commission has provided constructive information to Congress on using the AbilityOne Program to expand competitive integrated employment and the relevant committees of jurisdiction determined the information was useful.</p>	<p>In process. The Commission convened an interagency work group to develop recommendations for Congress. The work group did not reach consensus on a modification of the statutory mandated ratio in order to increase CIE. The group did reach consensus on giving the Commission pilot project authority to reduce the mandated ratio in selected contracts – a position , that was transmitted to Congress as a legislative proposal in April 2023.</p>
	<p><b>Performance Measure 2:</b> The Commission has reached consensus with its fellow government agencies on a legislative proposal to amend the JWOD Act.</p>	<p>Attempted and achieved in part. See narrative explanation in Performance Measure 1 above.</p>
<p><b>Strategic Objective II:</b> Identify, Publicize, and Support the Increase of Good Jobs and Optimal Jobs in the AbilityOne Program.</p>	<p><b>Performance Measure 1:</b> The Commission has finalized the rule prohibiting an NPA’s payment of subminimum or sub-prevailing wages to any employee on an AbilityOne</p>	<p>Achieved. Final rule prohibiting payment of subminimum wages on AbilityOne contracts was published</p>

	<p>contract to be qualified for participation in the Program.</p>	<p>on July 21, 2022. No employee on an AbilityOne contract was being paid a subminimum wage as of September 30, 2023.</p>
	<p><b>Performance Measure 2:</b> The Commission has issued a Request for Information (RFI) in order to identify good jobs and optimal jobs in the AbilityOne Program.</p>	<p>Modified in light of other Commission actions.</p> <p>The Commission issued a new draft policy on “good jobs” in January 2023; feedback on that policy was helpful in identifying good jobs.</p> <p>In addition, the Commission is in the process of updating its mandatory data collection forms. This new data will provide much of the information the RFI was designed to collect.</p> <p>The Commission will consider issuing an RFI in future years if that will complement the new data collection.</p>
	<p><b>Performance Measure 3:</b> The Commission has widely disseminated to the AbilityOne community examples of good jobs and optimal jobs.</p>	<p>In process.</p> <p>The Commission is in the process of updating its data collection forms. That data will provide information on good and optimal jobs and will be widely disseminated to the</p>

		AbilityOne community and beyond.
	<p><b>Performance Measure 4:</b> The NPAs demonstrate an understanding of this strategic approach by requesting procurement list additions that meet the attributes of good jobs and, where possible, optimal jobs.</p>	<p>In process.</p> <p>The Commission is in the process of updating its 300 Policy Series. Those policies will provide guidance to CNAs and NPAs on ways to highlight an NPA’s track record in creating good and optimal jobs.</p>
	<p><b>Performance Measure 5:</b> The Commission’s Cooperative Agreements require the CNAs to provide financial and technical resources to NPAs in creating workplaces that offer good jobs and, where possible, optimal jobs, consistent with the program fees collected by the CNAs.</p>	<p>In process.</p> <p>By January 2024, the Commission will have completed its update of the 400 Policy Guidance. Those policies will serve as the basis for the updated Cooperative Agreements that will be signed with the CNAs. The Commission anticipates beginning formal negotiations on the Cooperative Agreements in either February or March 2024. The Commission hopes to have new Cooperative Agreements in place by the end of the 2024 fiscal year.</p>
	<p><b>Performance Measure 6:</b> The Commission has developed and executed a data system that will allow it to collect information on the number of good jobs and optimal jobs.</p>	<p>In process.</p> <p>The Commission has begun a revision of the annual Representations and Certifications (“Reps and Certs”)</p>

		form that will collect data on the number of good and optimal jobs in the AbilityOne Program. The form will need to be approved under the Paperwork Reduction Act process prior to deployment.
	<p><b>Performance Measure 7:</b> The Commission has issued a revised Individual Employment Eligibility (IEE) form that is conducive to customizing jobs for individuals who are blind or have significant disabilities and to beginning an informed choice process for employment advancement.</p>	<p>In process.</p> <p>The Commission has begun the Paperwork Reduction Act process for two new data forms that will substitute for the current IEE form. The second form will document job individualizations, employee career plans, and career advancement programs. (The first form will document an individual's eligibility as a blind person or a person with a significant disability.)</p>
	<p><b>Performance Measure 8:</b> The Commission has developed and provided notice of a special consideration in the NPA recommendation process that takes into account how successful the NPA has been in offering good jobs and, where possible, optimal jobs.</p>	<p>In process.</p> <p>The Commission is in the process of updating its 300 Policy Series. Those policies will provide guidance to CNAs on how to take into account an NPA's track record in creating good and optimal jobs.</p>
<p><b>Strategic Objective III:</b> Ensure Effective Governance and Results</p>	<p><b>Performance Measure 1:</b> The Commission has used the ERM system to identify risks</p>	<p>Achieved in FY 2022.</p>

Across the AbilityOne Program.	and has established and tracked corrective action milestones.	
	<b>Performance Measure 2:</b> The Commission has developed a state-of-the-art IT infrastructure that meets the needs of the AbilityOne Program.	In process.  The Commission awarded a \$1,547,444 firm-fixed price General Services Administration (GSA) schedule task order on September 4, 2023, to upgrade PLIMS. This is a one-year base contract with four one-year option periods. PLIMS 2.0 is scheduled for deployment by the end of FY 2024.
	<b>Performance Measure 3:</b> The Commission has drafted and implemented a revised Annual Representations & Certifications data collection form.	In process.  (See narrative for Performance Measure 6 of Strategic Objective II for some data aspects of the form and the required process to deploy the form.) The revised form will include data requests necessary to assess achievement of the governance goals of Strategic Objective III.
	<b>Performance Measure 4:</b> The Commission has implemented a system for CNAs and NPAs to share data more effectively with the Commission.	In process; anticipated completion by October 2024.  In its proposed revised Compliance Policies, the Commission has included requirements for the effective sharing of electronic

		data between the CNAs and the Commission. The details of these requirements will be included in the Cooperative Agreements.
	<b>Performance Measure 5:</b> The Commission’s compliance team is provided with full and timely access to all reports and data from the CNAs’ technical assistance reviews and site visits of associated NPAs.	In process.  See narrative for Performance Measure 4 of Strategic Objective III.
	<b>Performance Measure 6:</b> The Commission’s compliance team has identified and presented to the Commission at least five recommendations to continue to implement rigorous documentation requirements while making compliance visits more beneficial for the Commission and the NPAs.	Achieved.  On 8/8/2022, the compliance team presented five recommendations regarding compliance visits.
	<b>Performance Measure 7:</b> The Commission has updated the Cooperative Agreements with the CNAs to reflect the new strategic direction of the Program.	In process.  See narratives for Performance Measure 5 of Strategic Objective II, and Performance Measure 4 of Strategic Objective III.
	<b>Performance Measure 8:</b> The Commission has updated its digital accessibility guidance and practices to ensure Program documentation and digital information adheres to industry standards for accessibility.	In process.  See narrative for Performance Measure 4 of Strategic Objective III.
	<b>Performance Measure 9:</b> The Commission has deployed its Affirmative Action Plan to	In process.

	increase the candidate pool and hiring of individuals with disabilities.	The Affirmative Action Plan has been submitted to EEOC.
	<b>Performance Measure 10:</b> The Commission has made the necessary regulatory changes to allow competition that takes into account pricing considerations.	In process.  The Commission is working on the publication of a final rule that will allow price competition between NPAs in the final determination of the allocation of a Procurement List requirement.
	<b>Performance Measure 11:</b> The Commission has created an AbilityOne Competition Subgroup (AOCS) to develop, in coordination with CNAs and Federal customers, standardized procedures and processes to promote increased competition throughout the Program.	In process.
	<b>Performance Measure 12:</b> The Commission has determined the type of funding and personnel that NPAs need to support their workforce and provide competitively priced products and services.	In process.  On September 25, 2023, the Commission awarded a \$350,000 one-year contract to the Association of People Supporting Employment First (APSE) that will provide, among other deliverables, identification of sources of funding and personnel that NPAs will require to support workforce development activities.



	<p><b>Performance Measure 13:</b> The Commission has improved coordination between the CNAs, the Commission, and the Federal customer to obtain up-to-date metrics for contract performance.</p>	<p>In process.</p> <p>PLIMS 2.0 will include a more robust capability to collect additional data.</p>
<p><b>Strategic Objective IV:</b> Engage in Partnerships to Increase Employment for People Who Are Blind or Have Significant Disabilities Within and Beyond the AbilityOne Program.</p>	<p><b>Performance Measure 1:</b> The Commission has delivered training and support tools to enable ABORs to promote satisfactory customer experiences in terms of contract performance, price, and/or relationships.</p>	<p>In process.</p> <p>The Commission and Defense Acquisition University provide training and education sessions about the AbilityOne Program. The Commission hired an ABORs Program Manager in FY 2023 who is working to achieve this performance measure.</p>
	<p><b>Performance Measure 2:</b> The Commission has educated ABORs regarding the importance of creating good jobs and optimal jobs in the AbilityOne Program.</p>	<p>In process.</p> <p>See narrative for Performance Measure 1 of Strategic Objective IV.</p>
	<p><b>Performance Measure 3:</b> The Commission has demonstrated work with the Office of Personnel Management, the Equal Employment Opportunity Commission, and the Office of Federal Contract Compliance Programs to support achievement by Federal agencies and Federal contractors of their Section 501 and Section 503 goals respectively.</p>	<p>In process and ongoing.</p> <p>Members of the Commission and Commission staff have ongoing conversations with representatives from OPM, EEOC, and OFCCP.</p>
	<p><b>Performance Measure 4:</b> The Commission has demonstrated work with the</p>	<p>In process and ongoing.</p>

	<p>Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) to ensure that efforts to advance employment opportunities for individuals who are blind or have significant disabilities are integrated into the overall equity efforts of Federal acquisition.</p>	<p>The Commission regularly engages with OFPP and OMB to discuss advancing such employment opportunities. Both DoD and GSA have included AbilityOne in their equity planning.</p>
	<p><b>Performance Measure 5:</b> The Commission has demonstrated work with the Small Business Administration (SBA) to increase support for small businesses owned by people who are blind or have significant disabilities.</p>	<p>To be initiated.</p>

## **Appendix 2: FY 2023 Procurement List Additions**

Products and services added to the AbilityOne Procurement List in FY 2023 include (but are not necessarily limited to):

### **Products**

- Antibacterial Hand Soap (12 oz.) and Instant Hand Sanitizer (4 oz.)
- Barbecue Grill Mat, Includes Shipper
- Canteen Cap Strap
- Cordless Work Light, Includes Shipper
- Disney Marvel Toys, Includes Shipper
- Flap Discs
- Foldout Tool Flashlight, Includes Shipper
- Garlic Press
- Gift Bag Sets
- Glass and All-Purpose Cleaners
- Greensaver Crisper Insert
- Handy Tools
- Individual Chrome Sockets
- Leakproof Baking Mat, Includes Shipper
- Mosquito Repellent Spray, Includes Shipper
- Nitrile Exam Gloves
- Pancake Syrup, Imitation Maple and Blueberry
- Set, Army Combat Fitness Equipment
- Sewing Items
- Soap Dispensing Sponge Holder, Includes Shipper
- Toy, Cat Teaser
- Tri Angle Mop
- Universal Docking Stations

- Water Toy Tower, Includes Shipper

## Services

- Base Supply Center, Forbes Field Air National Guard Base, KS, Dept. of the Army
- Base Supply Center, U.S. Naval Academy, Annapolis, MD, Dept. of the Navy
- Civil Engineer Supply Store, Malmstrom Air Force Base, MT, Dept. of the Air Force
- Custodial Service, AQ HQ, Oahu, HI, Dept. of the Army
- Custodial Service, FEMA Region IX, Fort Shafter, HI, Dept. of Homeland Security
- Custodial Service, Langley Research Center, Hampton, VA, NASA
- Custodial Service, NSA Crane, Crane & Glendora Test Facility, Sullivan, IN, Dept. of the Navy
- Custodial Service, USAF SWEG, Warner Robins, GA, Dept. of the Air Force
- Document Destruction Service, Medical Group, Sheppard Air Force Base, Wichita Falls, TX, Dept. of the Air Force
- Document Scanning Data Entry Support, U.S. Coast Guard Finance Center, Chesapeake, VA, Dept. of Homeland Security
- Facilities Support Services, NAVSEA, San Diego, CA, Dept. of the Navy
- Facility Support Services, Transportation Security Administration HQ, Springfield, VA, Dept. of Homeland Security
- Forklift Operator and Warehouse Services, Jamaica, NY, Social Security Administration
- Grounds Maintenance, Military Family Housing Units, Wright-Patterson Air Force Base, OH, Dept. of the Air Force
- Grounds Maintenance, Robins Air Force Base, GA, Dept. of the Air Force
- Grounds Maintenance, Robert F. Kennedy Building, Washington, DC, Dept. of Justice
- Grounds/Range Maintenance, Camp Bullis U.S. Army Training Center, San Antonio, TX, Dept. of the Army
- Janitorial and Snow Removal, South Burlington, VT, Federal Aviation Administration
- Janitorial Service, Charlotte, NC, Federal Aviation Administration
- Janitorial Service, Albuquerque, NM, Federal Aviation Administration
- Janitorial Service, Fayetteville, NC, Federal Aviation Administration
- Janitorial Service, Railroad Retirement Board HQ, Chicago, IL, Railroad Retirement Board

- Labeling and Packaging Vials, Seattle, WA, National Oceanic and Atmospheric Administration
- Mail and Courier Services, Ports of JFK, NY and NY/NWK, NJ, Customs and Border Control, Dept. of Homeland Security
- Parts Store, Sierra Army Depot, Herlong, CA, Dept. of the Army
- Patient Access and Referral Accountability Services, CMHS, Colorado Springs, Dept. of the Air Force
- Postal Service Center Operations, Travis Air Force Base, CA, Dept. of the Air Force
- Warehouse Management Services, NAVAIR, Granite City, IL, Dept. of the Navy

## Endnotes

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<sup>1</sup> For recent data see Department of Labor, Bureau of Labor Statistics, “Persons with a Disability: Labor Force Characteristics – 2022” <https://www.bls.gov/news.release/pdf/disabl.pdf> (retrieved October 25, 2023). See also Department of Labor, Office of Disability Employment Policy, Disability Employment Statistics <https://www.dol.gov/agencies/odep/research-evaluation/statistics> (retrieved October 25, 2023).

<sup>2</sup> Most data contained in this document is from FY 2022, due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2023 data is used.

<sup>3</sup> 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.

<sup>4</sup> This FY 2020 percentage is lower than previous years due to the impact of the COVID-19 pandemic.

<sup>5</sup> This FY 2021 percentage is lower than previous years due to the full-year impact of the COVID-19 pandemic. Data reflects the number of NPAs participating in the AbilityOne Program as of September 30, 2021.

<sup>6</sup> This FY 2022 percentage is lower than in many previous years due to the full-year impact of the COVID-19 pandemic. Data reflects the number of NPAs participating in the AbilityOne Program as of September 30, 2022. Percentages are rounded.

<sup>7</sup> 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](#)”.

<sup>8</sup> The agency’s [Equity Action Plan](#) references this increased public engagement.