U.S. ABILITYONE COMMISSION

FISCAL YEAR 2022

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

OFFICE OF THE CHAIRPERSON

November 15, 2022

I am pleased to present the U.S. AbilityOne Commission's FY 2022 Performance and Accountability Report. Through the AbilityOne Program, which the Commission administers, approximately 40,000 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 2022 continued to focus on modernizing and transforming the AbilityOne Program, while improving stewardship and advancing equity:

- Issuing the final 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" on July 21, 2022. While payment of subminimum wages had already been declining in the Program for years, the rule sends a message that the work of people with disabilities should be valued equally with that of others.

- Issuing, and beginning to implement, the FY 2022-2026 Strategic Plan, the roadmap for accomplishing the Commission's priorities over the next five years.

- Issuing a policy requiring that nonprofit agencies purchase and use AbilityOne products when performing services on AbilityOne contracts. The policy will help to create and sustain jobs while affirming that AbilityOne products are reasonably priced and of high quality.

- Incorporating into the Strategic Plan the remaining recommendations of the 2017 NDAA Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity, which released its final report to Congress in January.

- Expanding transparency and stakeholder engagement to increase trust and confidence in the AbilityOne Program.

Additionally, President Biden recently appointed seven new Federal members to the Commission, and the agency announced a new Executive Director and new Inspector General. Under this strengthened leadership, the agency will continue its unwavering focus on transformation and stewardship.

Financial Management

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

Sincerely,

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

TABLE OF CONTENTS

1. Management's Discussion and Analysis

1.1. Overview

The U.S. AbilityOne Commission is the independent Federal agency that oversees the AbilityOne Program, which creates private sector jobs for approximately 40,000 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, an underserved population that has historically experienced the lowest employment rate of any segment of U.S. society.[1] The program's significance can be measured not only in the benefits to this population, but in the broader positive economic impact at the national, state and local levels.

The AbilityOne Program provided nearly $4 billion in products and services to the Federal Government in FY 2021.[2] AbilityOne employees work nationwide at approximately 450 nonprofit agencies (NPAs), from Guam to Maine.

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

More than 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 working 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 $2 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

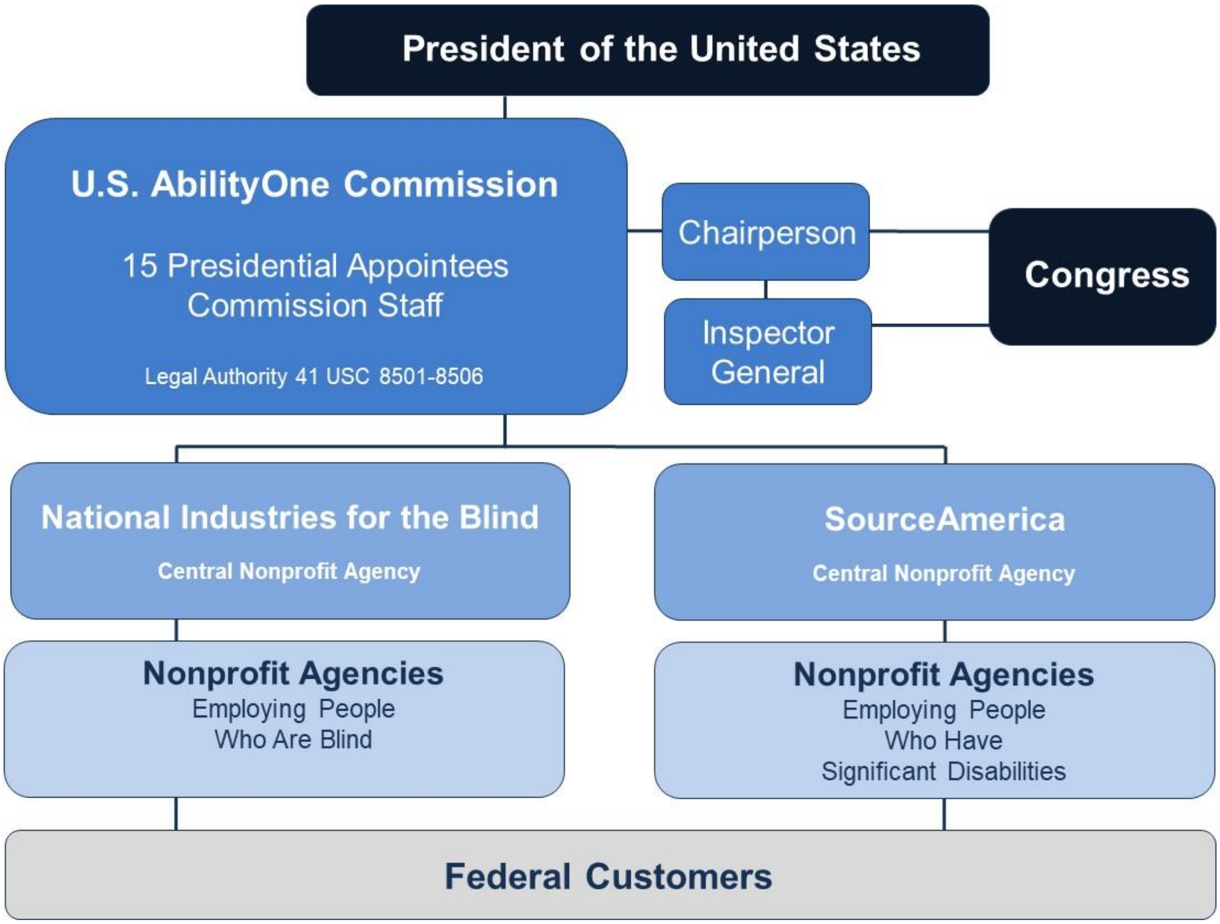
Remain a trusted source of supply and services for Federal agencies while creating quality employment opportunities across all economic sectors for people who are blind or have significant disabilities.

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 and the quality of the workforce. The Committee began operating as the U.S. AbilityOne Commission in 2011.

1.4. Program Structure and Responsibilities

Organizational Overview



Presidential Appointees

The Commission currently has 14 of its 15 authorized Presidential appointees. Among its complement of representatives from government agencies, 10 of the 11 positions are filled. All of the four private citizen members positions are filled.

In August 2021, the President appointed the four private citizens. In October 2022, the President appointed seven Federal agency members, effective October 18, 2022. He had previously announced his intent to appoint these members. We continue to work with the White House to fill the remaining vacancy (Air Force).

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

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

Commission Staff

The Commission operates as an independent agency of the Federal Government with 30 full-time equivalent (FTE) employees. The Commission staff maintains Agency operations and prepares materials required by law, regulation and policy to inform the decisions made by the Presidential appointees.

The Agency also has an Office of Inspector General (OIG), created in June 2016 as the result of the Consolidated Appropriations Act, 2016. The OIG's mission is to promote the economy, efficiency, and effectiveness of AbilityOne programs and operations, and protect these programs and operations against fraud, waste, abuse and mismanagement.

Statutory functions of the Commission include:

- Establishing rules, regulations, and policies to ensure effective implementation and oversight of 41 U.S.C. 8501-8506 and the AbilityOne Program it authorizes.
- Increasing employment opportunities for people who are blind or have significant disabilities.
- Determining which products and services are suitable for provision by nonprofit agencies employing people who are blind or have severe disabilities. These products and services are added to the Procurement List (PL).[3]
- Determining fair market prices for these products and services and revising prices in accordance with changing market conditions.
- Monitoring NPAs' compliance with 41 U.S.C. 8501-8506, Commission regulations and procedures.
- Assisting Federal agencies to expand procurement from NPAs participating in the AbilityOne Program and monitoring the compliance of both with Commission regulations and procedures.
- Designating and providing guidance to CNAs that facilitate NPAs' participation in the AbilityOne Program.
- Conducting continuing study and evaluation of mission execution to ensure effective and efficient administration of 41 U.S.C. 8501-8506.

Central Nonprofit Agencies

The Commission currently has two designated Central Nonprofit Agencies (CNAs) – National Industries for the Blind (NIB) and SourceAmerica – to facilitate the distribution of orders and assist the approximately 450 NPAs participating in the AbilityOne Program.

Commission Members

The following Presidential appointees served as Commission members in FY 2022:

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

Chai Feldblum
Vice Chairperson
Private Citizen

Bryan Bashin
Private Citizen

Christina Brandt
Private Citizen

Gabriel M. Cazares
Private Citizen

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

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

Commission Meetings

Commission public meetings are held quarterly; however, special meetings may be called by the Chairperson at any time. FY 2022 Commission public meetings were virtual as follows:

October 7, 2021
February 10, 2022
July 21, 2022

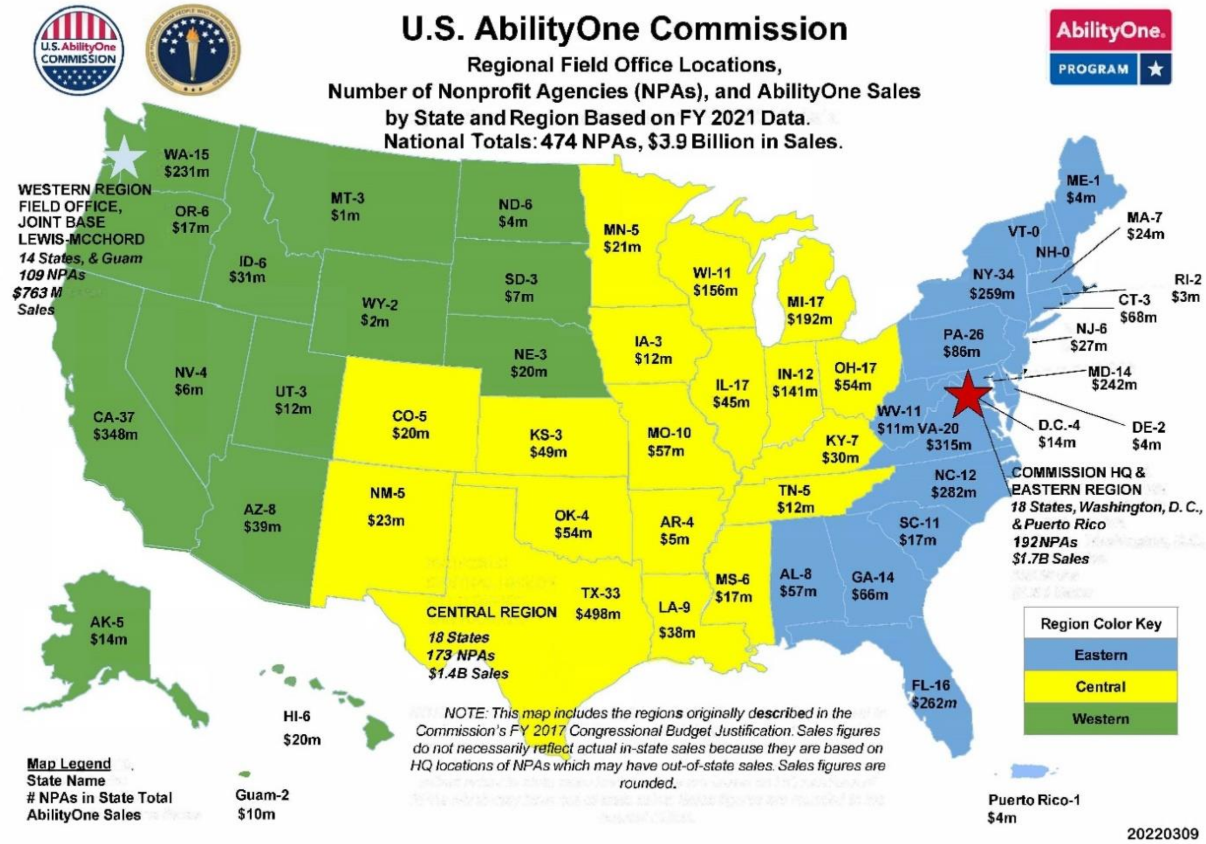
Instead of a spring 2022 quarterly public meeting, the Commission held the following events specifically designed to elicit input and feedback from key stakeholders about the Commission's Draft FY 2022-2026 Strategic Plan:

April 14, 2022: Virtual Town Hall for Nonprofit Agencies
April 25, 2022: Virtual Listening Session for Disability Advocates

1.5. Performance Highlights

Most data contained in this document is from FY 2021, due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2022 data is highlighted.

AbilityOne People and Numbers – FY 2021	
AbilityOne employees who are blind or have significant disabilities	40,000
AbilityOne wages paid	$668,592,334
Estimated Health and Welfare Fringe Benefits (in addition to wages)	$150,000,000
Average hourly wage	$15.22
Cost per job (Commission FY 2021 $10.5M budget ÷ 40,000 jobs)	$262.50
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 nonprofit agencies remaining open during pandemic	95%
AbilityOne total placements	1,515
AbilityOne total promotions	2,072



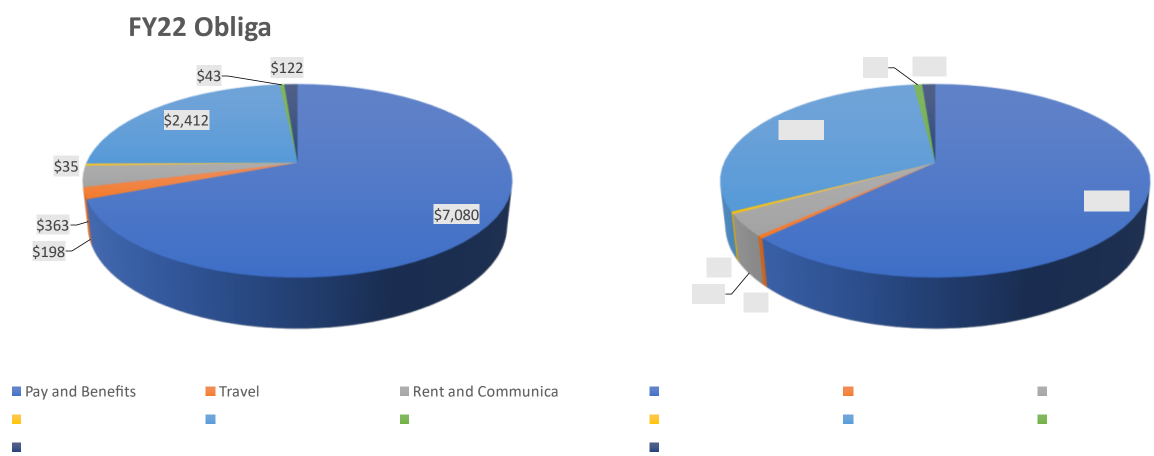
Note: Map data reflect sales by the 474 NPAs that participated in the AbilityOne Program at any point during FY 2021. On September 30, 2021, 450 NPAs were participating in the AbilityOne Program. This is the most recent data available.

1.6. Analysis of Financial Statements and Stewardship Information

Limitations of the Financial Statements

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

Analysis of agency obligations shown below indicates that the most significant difference between FY 2022 ($11 million budget) and FY 2021 ($10.5 million budget) was the change in Personnel and Benefits ($880K increase), Travel ($152K increase), and Services ($657K decrease). The shift in Personnel and Benefits was due to a 40 percent increase in staff. Travel increased due to onsite compliance reviews of NPAs following the COVID shutdown. Finally, the decrease in Services was due primarily to savings generated from recompeting the Information Technology Support contract.



1.7. Analysis of Systems, Controls and Legal Compliance

U.S. ABILITYONE COMMISSION

FY 2022
Management Assurance Statement

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

1. In accordance with OMB Circular No. A-123, Section VI (B), we are issuing a qualified statement of assurance considering the Independent Auditor, Allmond & Company LLC, identified material weaknesses indicated under paragraph (3). Except as indicated under (3) below, the system of internal control of this agency is functioning and provides reasonable assurance as to the efficiency and effectiveness of programs and operations; reliability of financial and performance information; and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act (FMFIA) §2.

2. The financial management systems of the Commission are maintained by the Financial Management Shared Service Provider (FMSSP). Historically, the Agency has relied on its FMSSP to conduct its assessment of risk and internal control in accordance with Office of Management and Budget Circular A-123. In FY 2021, the Commission improved internal controls for funds management, obligations and payment processes reported in the FMSSP financial management system. The Commission has coordinated with its FMSS Provider on increased internal control procedures for the disbursement of funds, such as requiring two approving signatures for transactions involving prior year funds. The Commission appointed a Funds Control Officer to certify the availability of funds prior to Agency obligations and expenditures, and implement an Administrative Control of Funds policy.

The Commission received an unmodified opinion in the FY 2022 audit report. Although the Agency instituted corrective actions in FY 2022 to improve internal controls of funds management, obligation, and payment processes, the FY 2022 audit continued to report findings of prior material weaknesses, significant deficiencies, and non-compliance with laws and regulations as provided in Section 3.

In accordance with the guidance in OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, the Commission will continue to work diligently to properly assess and update its management control structure to remediate the findings noted in the recent audits. Management is committed to designing and implementing a robust set of controls, and to performing regular monitoring to ensure that the controls are operating effectively. The Commission maintains accountability for assets and provides reasonable assurance, except as noted in our assessment and findings documented by the Independent Auditor under (3), that obligations and costs are in compliance with applicable law, and that performance data and proprietary and budgetary accounting transactions applicable to the Agency are properly recorded and accounted for to permit the timely preparation of accounts and reliable performance information. The financial management systems at this Agency satisfy the requirements of the FMFIA §4.

3. The Independent Auditor's report identified financial reporting findings in budgetary and accounting areas, as discussed below in Description of Independent Auditor's Findings.

Description of Independent Auditor's Findings

1. During the audit of the financial statements for the year ended September 30, 2021, the Independent Auditor communicated the following significant deficiencies and material weakness to us: a material weakness was identified for corrections for known errors and misstatements that were not identified or recorded in the general ledger. Significant deficiencies were identified for: interim financial statements and footnotes not prepared in accordance with U.S. GAAP and Federal reporting requirements; employee benefits election forms not maintained in eOPF per OPM requirements; year-end accrued liabilities not correctly estimated or recorded; and improvements needed for internal controls relating to property additions, disposals, and the recognition of construction in progress. In the current year audit, a repeat finding was included for non-compliance with laws and regulations related to Anti-Deficiency Act (ADA) violations for obligating expired funds. The finding was issued because the ADA reporting is still proceeding through the OMB clearance process. Other corrective actions include establishing documentation of control environment and control techniques to help detect and prevent risks. Also, a funds management, obligation and payment process was incorporated.

2. During the audit of the financial statements for the year ended September 30, 2022, the Independent Auditor communicated two material weaknesses and five significant deficiencies to us: a material weakness was identified for corrections for obligations were not submitted timely for recording in the general ledger and the second was year-end accrued expenses and liabilities were not correctly estimated or recorded. Significant deficiencies were identified for: 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 are 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. In the current year audit, a repeat finding was included for non-compliance with laws and regulations related to Anti-Deficiency Act (ADA) violations for

obligating expired funds. The prior year ADA finding was issued because the ADA reporting is still proceeding through the OMB clearance process. Other corrective actions include establishing documentation of control environment and control techniques to help detect and prevent risks. The Auditor also identified a potential ADA based on upward adjustment to expired fiscal year. The Commission non-concurred on the potential ADA based on current OMB regulation and legal precedence supporting adjustment.

Kimberly M. Zeich

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.

Implementing FY 2022-2026 Strategic Plan

On June 30, 2022, the Commission issued its FY 2022-2026 Strategic Plan, the roadmap for accomplishing the Commission's priorities over the next five years.

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.

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 Commission developed its Strategic Plan in ways 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. 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 a Listening Session with organizations that advocate for people with disabilities; a Listening Session with self-advocates who have intellectual or developmental disabilities; a Town Hall with AbilityOne-participating nonprofit agencies; and meetings with the Commission's designated Central Nonprofit Agencies.

The plan builds on the Commission's proposed rule to end the payment of subminimum and sub-prevailing wages on all AbilityOne contracts, as well as the work of the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity.

Implementing 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"

Please see Section 2, Performance Section: Strategic Objective 2.

Chief Financial Officer

As a key part of this forward-looking focus, the Agency's Chief Financial Officer (CFO) has made significant progress on Enterprise Risk Management and other areas. (See Section 2, Performance Section: 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.

On October 13, 2022, the U.S. AbilityOne Commission announced that Stefania Pozzi Porter has been named Inspector General, following a nationwide search. "It is a great pleasure to welcome Stefania as the Commission's new Inspector General," said Commission Chairperson Jeffrey A. Koses. "Stefania's leadership and expertise will ensure that the Office of Inspector General continues to build trust in the AbilityOne Program by detecting and preventing fraud, waste, abuse, and mismanagement. That work is especially critical at a time of transformation and modernization for the Program." Porter has also been selected as a member of the Federal Government's Senior Executive Service.

In FY 2022, the OIG issued two semiannual reports to Congress, per the Inspector General Act of 1978, as amended.

In FY 2022, the OIG also issued the audit report on the U.S. AbilityOne Commission's compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act) for the second quarter (Q2) of fiscal year (FY) 2021; a report of the FY2020 and 2021 Risk Assessment of the Commission's Government Charge Card; and four Quarterly Audit Recommendation Status Reports (February, May, August, and November 2022).

On November 15, 2022, 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 strategic plan, 2) enhancement of program compliance, 3) breakdowns in internal control over financial management and reporting, and 4) growing list of unimplemented OIG audit recommendations.

On November 15, 2022, the OIG issued the Audit of the U.S. AbilityOne Commission's Financial Statements for Fiscal Year 2022.

Modernizing IT and Strengthening Cybersecurity

The Commission aims to make needed updates to its Procurement List Information Management System (PLIMS), the primary information and decision-making support system used in carrying out the AbilityOne Program mission.

The system has not kept pace with the changing needs of users, resulting in issues that include loss of data and poor user experience. Additionally, the current system allows minimal to no interoperability between the Commission, Federal customers, and the nonprofit agencies that are part of the AbilityOne Program.

The Commission's planned update to PLIMS will, first, provide the capability to integrate Federal customers with Program partners in the cloud and produce digital products. Second, PLIMS modernization will reduce redundancy in data entry, storage, and processing. Third, the Commission will improve security, control, and disaster recovery capability. Finally, the Commission will create efficiencies by reducing manual-intensive business processes.

AbilityOne Program COVID-19 Response

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

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

Challenges

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

- Implementing the FY 2022-2026 Strategic Plan.
    - The Commission is developing an implementation plan that will identify the staff directorates responsible for achieving each of the Strategic Plan's Performance Measures aligned to the plan's Strategic Objectives.

  - The Commission plans to review all agency policies, and renegotiate the Commission's Cooperative Agreements with the CNAs, to align with the FY 2022-2026 Strategic Plan.

- Implementing the rule prohibiting payment of subminimum wages on contracts within the AbilityOne Program. The rule took effect on Oct. 19, 2022.

  - The Commission issued guidance on nonprofit agency requests for extensions to comply with ending payment of subminimum wages on AbilityOne contracts.

- 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. Report tracked 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."

- The 898 Panel and AbilityOne's Federal customers cite the need for more funding and staff for the Commission.

- Growing gap between appropriations, expenses, and mission.

- Increasing operating costs such as inflation and Cost of Living Allowances pay raises.

- 30 FTEs staffed the Agency at the end of FY 2022.

  – Other $4 billion programs have 100+ FTEs.

2. Performance Section

The Commission issued its FY 2022-2026 Strategic Plan on June 30, 2022. 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 initial implementation of performance measures will be in FY 2023. (Performance measures are listed in Appendix 1.)

In addition, the Commission is developing an implementation plan that will identify the staff directorates responsible for achieving each of the Strategic Plan's Performance Measures aligned to the Strategic Objectives.

While the Commission only recently issued the Strategic Plan, the following agency performance information for the whole of FY 2022 is organized under the plan's new 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 believes the AbilityOne Program has the potential to be a driver of competitive integrated employment (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 is committed to working effectively with Congress to amend the JWOD Act to support CIE for people who are blind or have significant disabilities.

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

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. That is more challenging, and frequently not possible, 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.

The Commission will issue a Request for Information (RFI) to help it identify AbilityOne jobs that include competitive wages and benefits, customized jobs, means for employment advancement, and coverage under employment laws, all of which are neither prohibited nor hindered by the JWOD Act. The RFI will also identify jobs that are optimal in that AbilityOne employees are working side-by-side with employees without disabilities, doing the same or similar jobs. It will also identify the strategies the NPAs used to achieve these results within the constraints of JWOD.

Implementing 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 Commission's focus currently includes implementing its final rule prohibiting payment of subminimum wages on contracts within the AbilityOne Program. The Commission published the final rule in the Federal Register on July 21, 2022. The rule had an effective date of October 19, 2022.

Under the rule, individuals who are blind or have significant disabilities and who work on AbilityOne contracts will 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 advances economic justice and equity for people who are blind or have significant disabilities—a historically underserved community—and sends a message that the work of people with disabilities should be valued equally with that of others.

Quality Work Environment (QWE) Program

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

Central to QWE is the sharing of employer best practices, with emphasis on practices that increase wages, provide training, facilitate upward mobility, provide navigation to other supports and services, and increase inclusion and integration in the workplace. The Commission will work with its CNAs to build on the QWE structure and increase capacity for job customization to promote the expansion of good jobs and optimal jobs.

More information about QWE can be found on the Quality Work Environment page of the Commission's website and in the Commission's March 2021 Report to the President.

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

Chief Financial Officer

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

- Established financial processes and controls for funds management, obligations, and payments
- Completed Management Internal Control Program in accordance with the Federal Managers' Financial Integrity Act (FMFIA); submitted FY2021 Annual Statement of Assurance

- Conducted an FY 2022 Management Control Review of 119 Agency controls – one-third of the total 336 controls – and determined Agency internal controls were effective

- Responsiveness to audits: Closed 12 open financial audit recommendations during FY 2021

- Completed agency's Risk Profile: Risk Level is moderate

- Established Enterprise Risk Management policy and procedures

- Completed FY 2021 and FY 2022 Risk Registers (FY 2023 Risk Register intake began September 2022)

- Tracked and reported quarterly on 32 risk mitigation plans for execution

Strengthening Oversight and Compliance in the AbilityOne Program

- Prior to issuing its Strategic Plan for FY 2022 - 2026, the Commission took a series of steps to strengthen its compliance framework, especially (1) its guidance to the NPAs, and (2) the rigor of the compliance review process.

- Specifically, additional funding in FY 2021 enabled the Commission to increase the number of compliance staff and strengthen capabilities by hiring one (1) compliance specialist and two (2) vocational rehabilitation specialists.

- Coupled with increased travel funding, these additional resources enable staff to routinely participate in reviews previously conducted largely by Central Nonprofit Agencies (CNAs).

- The Directorate of Oversight and Compliance increased its presence at compliance reviews to approximately 60 reviews per quarter, totaling 127 onsite and 135 virtual reviews in FY 2022. These reviews allowed the Commission to evaluate the state of compliance across the Program and to identify improvements in the corrective action process. The result is increased government oversight in enforcement of legal and regulatory requirements.

- The Commission also increased its compliance-related training and engagement with Program participants. These steps positioned the agency to identify needs for further clarification of Commission policies and procedures.

- The Commission's adoption of a new Strategic Plan has now resulted in the need for a more expansive compliance regimen with a greater focus on contract performance, job customization and supports, and employee advancement. The Commission is thus reassessing what its compliance and oversight function requires, and is considering the most effective ways to achieve the results called for in the Strategic Plan.

- For example, the Commission envisions a compliance program that provides technical assistance – to enhance both the employment outcomes for AbilityOne employees, and contract performance to meet the needs of Federal customers.

- The Commission will task the CNAs to pick up some of these additional compliance and technical assistance activities, as well as pick up more of the routine compliance activities, subject to auditing and verification by the Commission staff.

- The Commission's focus on compliance directly aligns with the President's Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government (EO 14058) and should lead to more nonprofit agencies providing services to people who are blind or have significant disabilities.

- The Strategic Plan also emphasizes improving the use of data to measure performance and drive decision-making. The Commission is taking a fresh look at the programmatic data both it and the CNAs collect, analyze, and use in determining how to advance the AbilityOne mission.

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

	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results
NPAs in Compliance / Total NPAs	496/511	469/483	461/480	402/469	353/450
Percentage of NPAs in Compliance	97%	97%	96%	86% [4]	78%[5]

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

    - FY 2021 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.[6] 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 will operate at a ratio below 75 percent.

Customer Satisfaction

Increasing Federal customer satisfaction with AbilityOne products and services is a key Commission priority, one most recently reflected in the Strategic Plan – i.e., "Support the mission of the Federal customer by providing best value through contract performance." Part of advancing this goal will be Commission emphasis on providing technical assistance to support Federal customers who have contract performance quality concerns. This effort includes the Commission's continuing engagement with ABORs to maximize education and training opportunities to identify problems, highlight best practices, and provide tools to improve contract performance.

Another step toward increasing Federal customer satisfaction is the Commission's modernization initiative to leverage competition within the Program to improve innovation and transparency. For example, in its FY 2024 budget request, the agency sought contractor support to provide capacity and technical expertise to conduct at least three (3) pilot tests to assess the potential for competition among AbilityOne Program participants. Competition pilots are part of implementing the Strategic Plan's Strategic Objective 3, Ensure Effective Governance and Results Across the AbilityOne Program.

Business Excellence

The agency made progress in improving three (3) critical business processes in FY 2021 and FY 2022.

1) <u>Evidence and Evaluation – Procurement List Addition Process Customer Experience (CX)</u>

- <u>New Procurement List User Interface Tool</u>: The Commission continues to refine a new tool that provides an enhanced customer interface for the Procurement List.

- This web-based tool significantly improves the user experience by simplifying the work and communication of acquisition teams in preparing acquisition strategies and plans, and the contracts needed to support them.

    - New capabilities focus on providing the "who makes what" information for commonly purchased items.

    - Searchable information now includes the item, item descriptions, National Stock Numbers (NSNs), unit of issue, sizes, estimated cost, the prime contractor, manufacturer, the specific percentage of the total government requirement that is on the Procurement List, and points of contact to obtain more detailed information including availability and delivery schedule.

    - Provides more information about user interface patterns and data that will be used to refine the tool's capabilities and improve the customer experience.

2) Program Fee determination and implementation process

- The Commission issued three new policies in FY 2022 to provide additional clarity about the establishment and oversight of AbilityOne Program Fees, which are paid by NPAs with AbilityOne Program sales to CNAs.[7] Prior to 2016, these fees were referred to as CNA Fees.

3) Fair market pricing policy and procedures

- In FY 2021, the Commission hired an additional Price Analyst to help process the agency's more than 4,000 annual pricing actions.

- The agency issued new policies on calculating Program Fees in the price of AbilityOne contracts.[8]

- The Commission's Fall 2021 Regulatory Agenda identified a proposed amendment to the Commission's regulation that broadens the parameters for the review and negotiation of prices in the AbilityOne Program.

Additionally, the agency's focus on Business Excellence includes its work to implement the Section 898 Panel's recommendations, several of which address business processes.

Advancing Executive Orders promoting equity and opportunity[9]

- AbilityOne's mission directly aligns with EO 13985, "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government" and its definition of underserved communities as including people with disabilities.

- The Commission directly supports EO 14035 "Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce" and its emphasis on advancing equity for employees with disabilities.

- 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.

- At an All Hands workshop, staff suggested strategies for increasing DEIA at the Commission, and the agency is exploring and/or implementing those suggestions.

- The Commission's DEIA Team includes an Accessibility Council specifically created to address the emerging digital accommodation needs of the agency's workforce. The Council meets biweekly.

The AbilityOne Commission continues to expand transparency and public engagement to increase public trust and confidence[10]

- Expanded public engagement has significantly boosted participation by, and input from, key stakeholders including the disability community.

- The Commission sought feedback on its FY 2022-2026 Draft Strategic Plan through a Listening Session with organizations that advocate for people with disabilities; a Listening Session with self-advocates who have intellectual or developmental disabilities; a Town Hall with AbilityOne-participating nonprofit agencies; and meetings with the Commission's designated Central Nonprofit Agencies.

- Increases in Commission public engagement at its regular quarterly public meetings include:

    - Changing from in-person to virtual quarterly public meetings has increased attendance from approximately 50 attendees to approximately 300 registrants. Virtual meetings have placed new demands on Commission staff, as well as additional expenses due to video platforms and Federal Register notices.

    - Commission public meetings are interpreted in American Sign Language and feature CART captioning.

    - Federal Register notices of Commission quarterly public meetings pose questions for discussion, solicit written statements to the Commission, and encourage verbal presentations and exchanges between the public and Commission members. Examples from FY 2022 include:

        - The Federal Register notice for the October 7, 2021, Commission quarterly public meeting included the following:

          "…the Commission invites comments or suggestions regarding:

          "1. Best practices by nonprofit agencies to modernize AbilityOne employment."

          "2. Recommendations for pilot tests to increase integrated employment in the AbilityOne Program—please address how such tests should be designed and how they fit within the Commission's statutory authority."

        - The Federal Register notice for the February 10, 2022, Commission quarterly public meeting included the following:

          "…the Commission invites comments or suggestions regarding:

          "1. The Individual Eligibility Evaluation (IEE) forms used by the Commission as documentation of significant disability."

          "2. Third party certification or verification of significant disability."

- The Federal Register notice for the July 21, 2022, Commission quarterly public meeting included the following:

  "…the Commission invites comments or suggestions regarding the types of technical assistance that may be provided to AbilityOne-participating nonprofit agencies during future compliance inspections or regulatory assistance visits. The technical assistance is intended to enhance overall compliance and oversight, and/or to support contract performance quality, and/or to enhance the quality of employment in the AbilityOne Program."

- 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 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, Instagram and LinkedIn accounts to communicate about Commission actions, like the release of the FY 2022-2026 Strategic Plan.

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

Table 2. AbilityOne Program Key Metrics

	FY 2020	FY 2021	% Change
Direct Labor Hours	45,983,044	43,924,278	-4%
Employees	42,200	40,000	-5%
Promotions	1,365	2,072	52%
Wages	$675.9M	$668.6 M	-1%
Average Hourly Wage	$14.70	$15.22	4%
Sales	$3,892,613,998	3,915,919,467	1%

As shown in the above table, employment within AbilityOne contracts decreased between FY 2020 and FY 2021. The decline in number of jobs can be attributed primarily to:

- COVID-19 pandemic, which caused significant disruption in manufacturing and service delivery schedules, and drastically impacted demand for certain supplies and services.
    - To continually assess the impact of COVID-19 on the AbilityOne Program, the Commission closely monitors and engages Federal customers, CNAs and NPAs regarding business decisions related to COVID-19. Whenever possible, the Commission adjusts and adapts to COVID-19 impacts on the AbilityOne Program: e.g., by issuing policy exceptions such as "AbilityOne Flexibilities Related to the Coronavirus (COVID-19) Emergency and Recovery for the Duration of Fiscal Year 2022."
- VA's "Rule of Two" contracting preference program, which prioritizes veteran-owned and service-disabled veteran-owned companies over AbilityOne NPAs, resulting in the loss of AbilityOne contracts and several hundred jobs.

FY 2022-2026 Strategic Plan

The Commission's Strategic Plan for FY 2022-2026 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 creating person-centered employment 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.

Implementing guidance in the Office of Federal Procurement Policy (OFPP) memorandum on "Increasing the Participation of Americans with Disabilities in Federal Contracting."

The Commission is pursuing opportunities to create thousands of good and optimal jobs for people who are blind or have significant disabilities by implementing guidance in the Office of Federal Procurement Policy (OFPP) memorandum on "Increasing the Participation of Americans with Disabilities in Federal Contracting."[11] The memorandum encouraged Federal Government agencies to increase spending on AbilityOne.

Anticipated Program growth as the result of such increased spending will require adequate compliance resources to ensure appropriate oversight.

Rapid expansion of the AbilityOne Representatives (ABORs) program due to the memorandum has resulted in Federal agencies appointing 19 ABORs to serve as advocates for AbilityOne, plus an additional 7 ABORs at DoD components including the military services.

Educational sessions about AbilityOne capabilities and utilization for Federal agencies – 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 also 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 Diversity, Equity, Inclusion, and Accessibility (DEIA) efforts.

3. Financial Section

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

355 E Street SW (OIG Suite 335)
Washington, DC 20024-3243

November 15, 2022

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 OIG

SUBJECT: Audit of the U.S. AbilityOne Commission's Financial Statements for Fiscal Year 2022

I am pleased to provide the audit report on the U.S. AbilityOne Commission's (Commission) financial statements. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm, Allmond & Company, LLC (Allmond & Company), to audit the Commission's financial statements and related footnotes as of September 30, 2022, and for the year then ended. The contract requires that the audit be performed in accordance with U.S. generally accepted government auditing standards and the Office of Management and Budget bulletin, Audit Requirements for Federal Financial Statements.

Results of the Independent Audit

Allmond & Company found:

- The financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2022, and 2021, and its net costs, changes in net position, and budgetary resources for the fiscal year then ended in accordance with generally accepted accounting principles.

- Two material weaknesses (Finding 2022-01 and 2022-02) and five significant deficiencies

(Findings 2022-03, 2022-04, 2022-05, 2022-06, and 2022-07) in internal control over financial reporting, and

- One reportable noncompliance with applicable provisions of laws, regulations, and contracts tested (Finding 2022-08).

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

Evaluation and Monitoring of Audit Performance

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

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

The OIG would like to thank the Commission staff for the assistance and cooperation. If you have any questions or need additional information, please contact me or Rosario A. Torres, CIA, CGAP, Assistant Inspector General for Auditing at (703) 772-9054 or rtorres@oig.abilityone.gov.

Enclosure: *Independent Auditor's Report, September 30, 2022*

U.S. ABILITYONE COMMISSION
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2022

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Independent Auditors' Report

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Committee for Purchase From People Who Are Blind or Severely Disabled - U.S. AbilityOne Commission (the Commission), which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2022 and 2021 and its net costs, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditor's 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As stated in Note 14 to the financial statements, the Commission restated its fiscal year (FY) 2021 statement of budgetary resources and related footnotes due to the identification of FY 2021 obligations that were not recorded in the agency's general ledger until FY 2022. The recording of these obligations in the next fiscal year resulted in material misstatements of new obligations and upward adjustments for both fiscal years and the material misstatement of the ending and beginning unobligated balances for FY 2021 and FY 2022, respectively. This matter is discussed in further detail in *Exhibit I, Findings and Recommendations* (2022-01) of this report. Because the errors have been corrected during the current year and the prior year statement of budgetary resources and related notes have been restated, our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Commission management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; (2) preparing, measuring, and presenting Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in Commission's Performance and Accountability Report and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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, generally accepted government auditing standards (GAGAS), and OMB Bulletin No. 22-01 will always detect a material misstatement 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, including omissions, are considered to be 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. 22-01, our responsibilities are to exercise professional judgment and maintain professional skepticism throughout the audit, to identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and to design and perform audit procedures that are responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. In addition, in making those risk assessments, we obtain an understanding of internal control relevant to an audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, and performing 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 of and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the RSI 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, which considers it 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 U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the Commission's 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

The Commission's other information contains 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 included in the Commission's Performance and Accountability Report. The other information comprises the *Message from the Chairperson*, *Performance*, and *Other Information* sections but does not include the financial statements and our auditor's report thereon. 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.

Report on Internal Control over Financial Reporting

In connection with our audits of the Commission's financial statements as of and for the years ended September 30, 2022 and 2021, we considered the Commission's internal control over financial reporting, consistent with the auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[1] or

1 A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a

to express 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. Given these limitations, material weaknesses or significant deficiencies may exist that have not been identified.

During our fiscal year 2022 audit, we identified two deficiencies in the Commission's internal control over financial reporting that we consider to be material weaknesses. These deficiencies (2022-01 and 2022-02) are described in the accompanying *Exhibit I, Findings and Recommendations,* to this report. In addition, we identified five deficiencies in the Commission's internal control over financial reporting that we consider to be significant deficiencies. These deficiencies (2022-03, 2022-04, 2022-05, 2022-06, and 2022-07) are described in accompanying *Exhibit II, Findings and Recommendation*s, to this report.

We considered these material weaknesses and significant deficiencies in determining the nature, timing, and extent of our audit procedures on the Commission's fiscal year 2022 financial statements. Although the material weaknesses and significant deficiencies in internal control did not affect our opinion on the Commission's fiscal year 2022 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Commission because of these deficiencies.

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.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the Commission's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

Commission management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the Commission's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered the Commission's internal control relevant to the financial statement 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 over financial reporting. Accordingly, we do not express an opinion on 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

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 over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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 U.S. generally accepted accounting principles, 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.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Commission's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

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

In connection with our audits of the Commission's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. This matter is further discussed in *Exhibit III, Findings and Recommendations,* (2022-08) of this report. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Commission. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Commission management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Commission.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the Commission 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. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Commission. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose for Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provision of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

The Commission's Responses to Findings

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

Allmond & Company, LLC

Lanham, Maryland
November 15, 2022

Obligations Were Not Submitted Timely for Recording in the General Ledger (2022-01)

<u>CONDITION</u>

Internal controls relating to the submission of transmittal forms and supporting documentation by the agency to its shared financial management service provider are not properly designed and implemented to ensure that all executed purchase orders and other binding obligations incurred by the agency are provided to the service organization timely and so that all obligations can be recorded in the agency's general ledger during the same fiscal year (FY).

During our testing over upward adjustments of prior year obligations for the period of October 1, 2021 through September 30, 2022 we identified four awards totaling $418,898.65 that were executed by the agency during fiscal year (FY) 2021, but were not submitted to the service organization and recorded in the agency's general ledger until FY 2022.

<u>CRITERIA</u>

Office of Management and Budget (OMB) Circular A-11 (August 2022), Section 150.3, states, "Your agency's internal controls are the organization, policies, and procedures that your agency uses to reasonably ensure that:

- Programs achieve their intended results.
- Resources used are consistent with agency mission.
- Programs and resources are protected from waste, fraud, and mismanagement.
- Laws and regulations are followed.
- Reliable and timely information is obtained, maintained, reported and used for decision making."

The Statement of Work [pertaining to the Interagency Agreement] Between the General Services Administration Office of the Chief Financial Officer and the U.S. AbilityOne Commission, which states, "Proper recording of Obligations: Client Responsibilities: 1. The client will provide consistent proper supporting documentation in a timely manner to support the recording of obligations to the USDA, OCFO-PFS ESB [Office of the Chief Financial Officer-Pegasys Financial Services External Services Branch] within 5 business days of the client incurring the obligation."

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

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

GAO Standards for Internal Control in the Federal Government, Section OV4.01: Service Organizations, states, "Management may engage external parties to perform certain operational processes for the entity, such as accounting and payroll processing, security services, or health care claims processing. For the purpose of the Green Book, these external parties are referred to as service organizations. Management, however, retains responsibility for the performance of processes assigned to service organizations."

GAO Standards for Internal Control in the Federal Government, Principle 10.03: Design of Appropriate Types of Control Activities, states, "Management designs appropriate types of control activities for the entity's internal control system. The common control activity categories listed in figure 6 are meant only to illustrate the range and variety of control activities that may be useful to management. The list is not all inclusive and may not include particular control activities that an entity may need.

- Proper execution of transactions - Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.
- Accurate and timely recording of transactions - Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

CAUSE

- Commission management did not timely submit transmittal documents to the service organization, which prevents the service organization from recording this information in the agency's general ledger timely.
- Standard operating procedures for the Budget and Financial Management process were still in development during the period in which the transactions occurred. As such, written guidance was not available that defined the roles and responsibilities of agency personnel when performing procurement activities.

EFFECT

- New Obligations and Upwards Adjustments in the Statement of Budgetary Resources was understated by $418,898.65 in the September 30, 2021 financial statements and footnotes and was overstated by $418,898.65 in the September 30, 2022 financial statements and footnotes.
- The prior year financial statements and footnotes will need to be restated to correct material misstatements.
- An increased number and dollar amount of upward adjustments of prior year obligations balances for prior year obligations that were not timely submitted and recorded, rather than for incidental increases that occasionally occur for timely recorded prior year transactions.

- An increased risk of noncompliance with the Antideficiency Act because unobligated balances in the financial management system and open obligations aging reports may not be accurate and complete.

RECOMMENDATION

We recommend that:

- 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.
- 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.
- 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.
- 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.
- 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.

MANAGEMENT RESPONSE

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

AUDITORS' RESPONSE

Follow up procedures will be performed during the FY 2023 audit to determine if corrective actions have been fully implemented.

Year-End Accrued Expenses and Liabilities Were Not Correctly Estimated or Recorded (2022-02)

CONDITION

The Commission's internal controls over the estimation and recording of accrued expenses and liabilities are not sufficiently designed to prevent, detect, or correct errors in its financial statements. During our performance of substantive procedures over the balance of Accounts Payable and Advances and Prepayments as of September 30, 2022, we identified the following conditions:

- Two transactions totaling $599,191 were accrued for the full amount of the obligated balance rather than for unbilled or unpaid goods and services that were received and accepted as of September 30, 2022.
- The Commission did not reduce the balance of Advances and Prepayments and recognize the related Operating Expense/Program Cost when goods and services were rendered for two prepaid contracts, as required by generally accepted accounting principles. The total amount that was billed by and paid to the vendors was $24,859.64.

CRITERIA

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

The Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1: *Accounting for Selected Assets and Liabilities*, Advances and Prepayments, bullet 57, states, "Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Examples include travel advances disbursed to employees prior to business trips, and cash or other assets disbursed under a contract, grant, or cooperative agreement before services or goods are provided by the contractor or grantee." Bullet 59 states that "Advances and prepayments should be recorded as assets. Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire."

AbilityOne Budget and Financial Management Standard Operating Procedures, October 2021, Financial Management, Accrual Preparation, 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."

AbilityOne Budget and Financial Management Standard Operating Procedures, October 2021, Financial Management, Accounts Payable, states, "Submit certified review of open obligations in aging report from USDA at least twice a year….Conduct activities related to researching and processing advances/prepayments; obtain invoices and submit for payment; then liquidate advance/prepayment."

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 Commission's control procedures to estimate accounts payable to be accrued at year-end in accordance with generally accepted accounting principles were not operating effectively during the period ended September 30, 2022.
- The responsibilities of Commission management relating to year-end accruals and other financial reporting functions were not clearly understood.
- Information regarding the status of open obligations and goods and services received through September 30, 2022 was not obtained from all organizational units within the reporting entity.
- General ledger account balances were not reviewed before and after adjusting entries were recorded to determine what account balances may still need to be adjusted and whether the adjustments that were recorded were reasonable.

EFFECT

- There is an increased risk of material and pervasive misstatements of the balances reported on the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the financial statement footnotes for each year in which accrued liabilities are not recorded in the general ledger or are recorded for incorrect amounts.
- Errors in the fiscal year-end financial statements and footnotes and other required reporting included:
    - Balance Sheet - Advances and Prepayments was overstated by $24,859.64; Accounts Payable was overstated by $599,191.00, and Net Position was overstated by $574,331.36.
    - Statement of Net Cost – Total Gross Costs, Net Program Costs, and Net Cost of Operations were overstated by $574,331.36
    - Statement of Changes in Net Position – Net Cost of Operations, Net Change in Cumulative Results of Operations, and Net Position were overstated by $574,331.26.
    - $24,859.64 overstatement of Undelivered Orders-Paid and $599,191.00 understatement of Undelivered Orders-Unpaid.

RECOMMENDATION

We recommend that:

- 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.

- 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.
- 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.
- At least twice per year, to coincide with the preparation and review of the third and fourth quarter financial statements, the Commission should track the status of each open obligation for which an advance payment was made in order to determine what amount, if any, should be recognized as an expense for that period and what amount should remain or be reclassified as an advance.
- At least twice per year, to coincide with the preparation and review of the third and fourth quarter financial statements, the Commission should ensure that all approved and paid invoices have been provided to the Commission's service provider and recorded in the agency's general ledger to reduce the advanced balance and recognize operating expenses. If the goods and/or services have been received but the billing process is incomplete as of the end of the reporting period, an accrual entry should be recorded.
- Amend the financial statement review checklist to include a review of balances relating to Advances and Prepayments to identify whether expected changes to the related balances have occurred.

MANAGEMENT RESPONSE

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

AUDITORS' RESPONSE

Follow up procedures will be performed during the FY 2023 audit to determine if corrective actions have been fully implemented.

Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and Federal Reporting Requirements (2022-03)

CONDITION

Corrective action relating to the preparation and review of the financial statements and footnotes is not appropriately designed and implemented to identify errors and omissions and ensure that the financial statements and footnotes are compliant with generally accepted accounting principles (GAAP) and other financial reporting requirements for the Federal Government.

During our review of the Commission's financial statements and footnotes for the interim reporting period ended June 30, 2022, we identified the following conditions:

- Line items in the Statement of Changes in Net Position were materially misstated and the beginning balances of Unexpended Appropriations and Cumulative Results of Operations were directly changed in error rather than reporting the adjustments through Corrections of Errors.
- The legal matters reported in Commitments and Contingencies footnote did not agree to the interim legal representation letter provided to the auditors in number, classification, or dollar amount. In addition, the possible range of loss was classified as "at least reasonably possible" rather than as a dollar amount, and the likelihood of loss (as "probable," "reasonably possible," or "remote") was either not provided or was inconsistent with other supporting information provided to the auditors.
- Balances and line items reported in Note 13 – Explanation of Differences Between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government were not accurately reported:
    - The amount for Budgetary Resources per the President's Budget was reported as $11,000,000 in the Commission's schedule in error. The actual amount is $12,000,000 per the Budget Appendix.
    - Reconciling Difference #1 was incorrectly attributed to "Unobligated balance brought forward, October 1" in the amount of $562,695.13. The amount of the difference in Budgetary Resources between the SBR and the Budget of the U.S Government should have been attributed to rounding.
    - The reconciling differences reported in the schedule are presented using inconsistent or incorrect positive or negative dollar amounts, resulting in column totals that were not mathematically correct.
- The Commission used uncorrected current and prior year trial balances to prepare Note 14 – Reconciliation of Net Cost to Outlays, resulting in material errors to the Accounts Payable and Other Temporary Timing Differences lines in the reconciliation.
- Management's review and approval of the financial statements and footnotes was not documented.

CRITERIA

Treasury Financial Manual (TFM) Bulletin No, 2022-12 (June 2022) applies to "all federal government departments, agencies, and others concerned. Item 5, Part 1, Section V: Crosswalks to the Standard External Reports for FY 2022 GTAS Reporting of this Bulletin provides the FY 2022 reporting requirements for USSGL accounts that crosswalk to the following reports: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Custodial Activity, Statement of Budgetary Resources, and SF 133: Report on Budget Execution and Budgetary Resources & Schedule P Budget Program and Financing Schedule."

OMB Circular A-136 (June 2022), Section I.1. Guide to the Circular states, "Throughout the Circular, the terms "must" and "will" denote a requirement that management must comply with in all cases; the term "should" denotes a presumptively mandatory requirement that applies except in circumstances where the requirement is not relevant for the agency; and "may" and "could" denote best practices that may be adopted at the discretion of management."

Statements of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government,* defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. SFFAS No. 5 requires a liability to be recognized for loss contingencies when a past event or exchange transaction makes a future outflow of resources probable and measurable. It defines "probable" as that which can reasonably be expected or believed to be more likely than not on the basis of available evidence or logic but which is neither certain nor proven…. Contingencies can be "probable," "reasonably possible," or "remote;" and, based on that, are recognized on the balance sheet, disclosed in footnotes, or not mentioned in the financial statements, respectively. However, SFAS No. 5 defines "probable" as "likely to occur" instead of "more likely than not."

OMB Circular A-136 (June 2022), Section II.3.2.4. Liabilities. Commitments and Contingencies, states, "A contingent liability should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. Contingencies that do not meet any of the conditions for liability recognition, but for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred, should be disclosed."

OMB Circular A-136 (June 2022), Section II.3.8.31. Explanation of Differences Between the SBR and the Budget the U.S. Government, states, "Agencies should explain material differences that exist between: 1. The budgetary resources, new obligation, upward adjustments (total), and net outlay amounts from the prior year and the actual amounts from "Detailed Budget Estimates by Agency" found in the *Appendix* of the Budget." (Note: For FY 2022 reporting purposes, this would apply to the FY 2021 SBR and FY 2021 amounts in the FY 2023 Budget)."

OMB Circular A-136 (June 2022), Section II.3.8.32. Note 32: Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation) states, "Disclose a reconciliation of net cost to net outlays which is also known as the "Budget to Accrual Reconciliation") as required by SFFAS 7, as amended by SFFAS 53, Budget and Accrual Reconciliation, following the guidance in the Treasury Financial Manual (TFM)."

SFFAS No. 53, *Amendments to SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting (SFFAS 7)*, paragraph 81 states, "The net cost of operations should be adjusted by:

a. components of net cost that are not part of net outlays (e.g., depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities);
b. components of net outlays that are not part of net cost (e.g., acquisition of capital assets); and
c. other temporary timing differences (e.g., prior period adjustments due to correction of errors)."

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

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

CAUSE

- Uncorrected/unadjusted trial balances were used to prepare financial statements and footnotes. Financial reporting requirements in OMB Circular A-136 were interpreted to be optional rather than presumptively mandatory, as defined by the Circular;
- Information regarding contingent liabilities relating to legal matters is not provided to the preparer and reviewer of the financial statements and footnotes timely (i.e., prior to the end of the reporting period) so that entries can be recorded when needed and the footnote can be accurately prepared;
- The classifications and reporting requirements relating to commitments and contingencies and how this information should be presented in the footnote disclosure do not appear to be understood;
- Information received regarding contingent liabilities may not be clear, concise, and accurate and/or the completed footnote is not agreed to the legal representation letter when preparing the footnote;
- Balances and other information reported in the financial statements and footnotes were not agreed to the trial balance and other supporting schedules and was not verified for mathematical accuracy;
- Variances in the Explanation of Differences Between the SBR and the Budget of the U.S. Government were either not identified or were attributed to incorrect causes.
- Checklists, working papers, and other documentation to support management's review of the financial statements and footnotes were not prepared or retained.

EFFECT

- The Commission did not fulfill the interim financial reporting requirements, as required by OMB Circular A-136 for the third quarter of FY 2022.
- Material understatements of +/- $161,441 in the beginning balances of Unexpended Appropriations and Cumulative Results of Operations due to incorrect manual adjustments and material understatements of +/- $161,441 in Adjustments – Correction of Errors in the Statement of Changes in Net Position.
- The contingent liabilities footnote was internally inconsistent and incorrectly reported two matters as "at least reasonably possible" for which the likelihood of loss was "remote."
- Explanations provided in Note 11 – Explanation of Differences Between the SBR and the Budget of the U.S. Government were not complete or accurate, the reconciliation was not mathematically accurate, and the amount attributed to Budgetary Resources per the Budget of the U.S. Government was understated by $1 million.

- Material misstatements in Note 14 – Reconciliation of Net Cost to Net Outlays:
    - ($161,441) overstatement of the intra-governmental difference for Accounts Payable
    - ($161,441) understatement of Other Temporary Timing Differences.

RECOMMENDATION:

We recommend that Commission management:

- Verify that current Treasury and OMB financial reporting requirements and other authoritative guidance is obtained and followed during the preparation and review of the financial statements and footnotes, including all mandatory and presumptively mandatory provisions, as defined in those sources.
- Reconcile the trial balance to subsidiary or supplementary sources, such as the capitalized expenditure and accrued expense worksheets to the general ledger to validate the balances reported in the trial balance.
- Increase the precision of existing checklists and variance analysis tools so that changes from known and expected results can be detected and corrected.
- Request and obtain the legal representation letter from the Office of the General Counsel (OGC) or consult with the OGC prior to the close of the reporting period so that any required entries can be recorded and the Commitment and Contingencies footnote can be prepared and reviewed timely.
- 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.
- 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.
- Verify the mathematical accuracy of all statements and footnote schedules and agree all balances reported in the statements and footnotes to corrected trial balances.
- 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.

MANAGEMENT RESPONSE

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

AUDITORS' RESPONSE

Follow up procedures will be performed during the FY 2023 audit to determine if corrective actions have been fully implemented.

Corrections for Known Errors and Misstatements Were Not Identified or Recorded in the General Ledger (2022-04)

CONDITION

Internal control over the preparation and review of adjusting entries is not appropriately designed and implemented to identify errors and omissions and ensure that the financial statements and footnotes are compliant with generally accepted accounting principles (GAAP) and other financial reporting requirements for the Federal Government.

During our review of the Commission's fiscal year (FY) 2022 beginning balances and June 30, 2022 financial statements, we noted that a $161,440.76 audit adjustment from FY 2021 to correct the ending balances of Construction in Progress, Accounts Payable, Unexpended Appropriations, Undelivered Orders-Unpaid, Delivered Orders-Unpaid, and Expended Appropriations was applied as an on-top adjustment for FY 2021 reporting. The Commission recorded a $655,486.18 worksheet adjustment during FY 2022 to record Construction in Progress through May 2022; however, an additional entry was not recorded to reclassify the $161,440.76 of Expended and Unexpended Appropriations Used that were already recognized during the prior year.

CRITERIA

Statements of Federal Financial Accounting Standards (SFFAS) 21, paragraph 10, states, "Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared."

Office of Management and Budget (OMB) Circular A-136 (June 2022), section II.3.1. Instructions for the Annual Financial Statements, states, "Entities must use the same trial balance information submitted to the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) as the basis for the financial statements and notes."

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

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

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

CAUSE

- The Commission's control procedures to ensure that on-top adjustments from prior years are being recorded in the general ledger during the current fiscal year are not appropriately designed and implemented to ensure that the corrections are complete, accurate, and conform to generally accepted accounting principles.
- Incomplete knowledge of generally accepted accounting principles relating to the correction of errors and the presentation and disclosure of such errors in the financial statements and footnotes.
- The Commission's review of the prior and current year financial statements, trial balances, and variance analyses are not performed at an appropriate level of precision to identify errors and omissions.

EFFECT

- There is an increased risk of material and pervasive misstatements of the balances reported in the financial statements and related footnotes when prior year corrections are not recorded or are recorded incorrectly (i.e., the appropriate general ledger accounts required for error corrections are not used).
- We identified the following known misstatements (net) relating to the conditions listed above, as of June 30, 2022:

  Statement of Net Cost:

  - $161,441 understatement of Unexpended Appropriations - Cumulative
  - ($161,441) understatement of Unexpended Appropriations – Prior-Period Adjustments Due to Corrections of Errors
  - ($161,441) understatement of Cumulative Results of Operations (beginning balance)
  - $161,441 understatement of Expended Appropriations – Prior-Period Adjustments Due to Corrections of Errors

RECOMMENDATION

We recommend that Commission management should:

- Develop a procedure to identify and track all on-top adjustments, worksheet adjustments, and other corrections for prior year transactions that were processed during the prior fiscal year, evaluate their effects on current year balances, and record them timely (during the first quarter of the fiscal year) in the general ledger.
- Review the posting logic that was applied within Pegasys for each correcting entry and record reclassification journal entries in the general ledger using the appropriate general ledger accounts for the correction of errors, in accordance with generally accepted accounting principles.

MANAGEMENT RESPONSE

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

General Comments

The Commission in coordination with its financial shared service provider, completed the adjusting entry to correct the condition documented. The adjusting entry was forwarded to Allmond CPA on Aug 31, 2022.

AUDITORS' RESPONSE

Follow up procedures will be performed during the FY 2023 audit to determine if corrective actions have been fully implemented.

Personnel Actions Are Not Accurate, Timely, or Complete (2022-05)

CONDITION

The Commission's internal controls over the initiation and processing of personnel actions are not sufficiently designed to prevent, detect, or correct errors in employees' payroll records and do not meet documentation accuracy, completeness, and retention requirements.

During our interim review of fourteen (14) personnel actions that were processed during the period of October 1, 2021 through June 30, 2022, we identified the following conditions:

- 5 of 14 instances in which the Request for Personnel Action completed by Commission personnel (Standard Form (SF) 52) did not agree with the Notification of Personnel Action (SF-50) that was processed:
    - 2 instances in which the effective dates did not agree, and
    - 3 instances in which other required information did not agree.
- 10 of 14 instances in which the approver of the Notification of Personnel Action (SF-50) was invalid:
    - 6 instances in which the approver was the former Executive Director who separated from the agency during the previous fiscal year,
    - 3 instances in which the approver was an unrelated officer from another federal agency, and
    - 1 instance in which the approving official signature field was blank.

CRITERIA

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

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

> "(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent recordkeeping regulations and requirements of the Office of Personnel Management and the agency.
>
> (b) The Office is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness for personnel records it requires agencies to maintain."

U.S. Office of Personnel Management Operating Manual – The Guide to Personnel Recordkeeping, Update 13 June 1, 2011, Chapter 1: General Personnel Recordkeeping Policies, Electronic Records, states, "The purpose of the electronic Official Personnel Folder (e-OPF) and the paper Official Personnel Folder (OPF) is to document the employment history of individuals employed by the Federal Government. The electronic

Official Personnel Folder must be complete; that is, when combined with any other documents the agency chooses to retain in paper, or is required by law or regulation to be maintained in paper, it must contain all the information.

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

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

CAUSE

- The Commission does not have adequate control procedures in place to ensure that personnel actions are accurate and complete and that concise relevant information that supports the action is retained in the electronic Official Personnel Folder (e-OPF) in accordance with OPM requirements.
- When changes to Requests for Personnel Actions are needed, the form is not updated and approved prior to the processing of the personnel action in the system.
- Notifications of Personnel Actions (SF-50s) are not being reviewed for accuracy and completeness following the processing of the action.

EFFECT

- The Commission's documentation accuracy, completeness, and retention policies and procedures do not comply with OPM requirements.
- The failure to properly record and maintain employees' official personnel records increases the risk for misstatement in payroll expense and related liabilities.
- The potential effects of this issue include:
  - errors in employee pay amounts;
  - errors in the amounts withheld from employee pay and contributed by the agency for retirement, payroll taxes, and employee benefits;
  - payment to employees before their actual start dates or before their employment has been properly approved by the appointing official; and
  - increased level of effort by Commission and service provider personnel to process personnel actions, resolve questions and inaccuracies, or correct administrative errors.

RECOMMENDATION

We recommend that:

- 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.

- 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.
- The Commission should retain clear, concise, and complete documentation to support all personnel actions in the employees' Official Personnel Folders.

MANAGEMENT RESPONSE

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

AUDITORS' RESPONSE

Follow up procedures will be performed during the FY 2023 audit to determine if corrective actions have been fully implemented.

Employee Benefits Election Forms Were Not Maintained in eOPF per OPM Requirements (2022-06)

CONDITION

The Commission's internal controls over the maintenance of employees' personnel records are not sufficiently designed to prevent, detect, or correct errors in employees' payroll records. During our interim review of 46 payroll transactions (39 employees) selected from the population of all employees who were paid during the period of October 1, 2021 through June 30, 2022, we identified the following conditions:

- Six (6) instances (5 employees) in which the Commission was not able to provide the correct Thrift Savings Plan (TSP) election forms for the pay periods selected.
- Two (2) instances (2 employees) in which the Commission was not able to provide the correct Federal Employees Health Benefits (FEHB) election forms for the pay periods selected.
- Five (5) instances (5 employees) in which the Commission was not able to provide the correct Federal Employees' Group Life Insurance (FEGLI) Program election form for the pay period selected.
- Within the thirteen (13) exceptions listed above, there were ten (10) instances in which the missing documentation was identified and reported to the Commission during the 2019 - 2021 audits and corrective action was not taken.

CRITERIA

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

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

> "(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent recordkeeping regulations and requirements of the Office of Personnel Management and the agency.
>
> (b) The Office is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness for personnel records it requires agencies to maintain."

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

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

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

CAUSE

- The Commission and its payroll and its personnel shared service provider do not have adequate control procedures in place to ensure that employees' benefit election forms are thoroughly and accurately documented in the electronic Official Personnel Folder (e-OPF) in accordance with OPM requirements.
- The Commission and its payroll and personnel shared service provider do not have adequate control procedures in place to ensure that employees' benefit election forms are updated in the electronic Official Personnel Folder (e-OPF) when employees change their benefit elections, whether using the designated forms or through an electronic employee portal.
- The corrective action plan that addresses the prior year recommendations for this finding and changes to the Commission's internal control activities were not properly designed and implemented to address the control objectives.

EFFECT

- The Commission's document availability and retention policies and procedures do not comply with OPM requirements.
- The failure to properly record and maintain employees' official personnel records increases the risk for misstatement in payroll expense and related liabilities; in addition, incorrect amounts could be withheld from employees pay.
- The full effects of the conditions listed above will be assessed when the year-end testing procedures have been completed. At interim, the potential effects of this issue include:
    - Potential non-compliance with 5 U.S. Code Chapter 84, Subchapter III – Thrift Savings Plan, 5 U.S. Code Chapter 89 – Health Insurance, and Title 5 of the Code of Federal Regulations, part 870 – Federal Employees' Group Life Insurance Program.
    - Potential misstatements of the financial statements and footnotes relating to payroll expenses and liabilities
- Incorrect health, life, and retirement benefits information in the eOPF can negatively affect employees in the event of a loss or claim and cause incorrect amounts to be withheld from their pay.

RECOMMENDATION

We recommend that:

- The Commission should perform routine reviews of employee benefit elections and Official Personnel Files (OPFs) to ensure they are complete and accurate and address this issue with its shared service provider to ensure that OPM guidance is appropriately followed with respect to the Commission's personnel records.

- The Commission should obtain replacement copies of missing records that have been identified and either provide these documents to the service provider so that the information can be maintained in the e-OPF or consider developing and implementing its own repository of documentation to ease the retrieval and response process.
- At the end of each pay period or at least monthly, the Commission should review reports of employee benefits election changes made through the employee self-service portal and retain the documentation for all changes in the employees' e-OPF.

MANAGEMENT RESPONSE

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

AUDITORS' RESPONSE

Follow up procedures will be performed during the FY 2023 audit to determine if corrective actions have been fully implemented.

Lack of Sufficient Internal Control over Financial Reporting Relating to Upward and Downward Adjustments of Prior Year Obligations (2022-07)

CONDITION

The U.S. AbilityOne Commission's (the Commission's) internal control over financial reporting lacks sufficient control procedures to ensure the reliability of its Undelivered and Delivered Orders balances and perform appropriate procedures to validate and correct balances relating to the Upward and Downward Adjustment of Prior Year Obligations.

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

- Offsetting downward and upward adjustment entries totaling $32,412.58 that were due to cost transfers and the re-establishment of an obligation that had been de-obligated in error.
- A $23,402.06 overstatement of upward adjustments of prior year obligations that was caused by the use of a document number that was already in use for another vendor, causing a duplicate obligation to be created to facilitate the payment process.
- A $21,636.08 overstatement of upward adjustments of prior year obligations that was not corrected when the payments were transferred to another document number during the payment process.

CRITERIA

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

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

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

CAUSE

- The posting logic that is applied to reverse a downward adjustment is to record an upward adjustment, and vice versa, rather than reversing the transactions as they were originally recorded. This has the effect of increasing the balances of both accounts and/or creating upward and downward adjustment balances that should not have existed.

- The Commission does not appear to have policies and procedures in place to review the Undelivered and Delivered Orders balances in Pegasys and to make the necessary corrections to ensure that upward and downward adjustment balances are accurate and reflect the true economic substance of each transaction.

EFFECT

- The lack of financial reporting internal controls can lead to material misstatements to the financial statements and line items not being properly valued or classified in accordance with generally accepted accounting principles.
- If uncorrected, the Commission's Statement of Budgetary Resources will be misstated as follows:
  - Unobligated Balance from Prior Year Budget Authority, net and Total Budgetary Resources will be overstated by $32,412.58
  - New Obligations and Upward Adjustments and Total Status of Budgetary Resources will be overstated by $77,450.72
  - Expired Unobligated Balance, end of year will be understated by $45,038.14

RECOMMENDATION

We recommend that:

- 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.
- Commission management should work with its service provider to design and implement policies and procedures which enhance the internal review process for upward and downward adjustment transactions and includes a reconciliation of the UDO balances with the supporting documentation to ensure that transactions have been recorded correctly.

MANAGEMENT RESPONSE

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

AUDITORS' RESPONSE

Follow up procedures will be performed during the FY 2023 audit to determine if corrective actions have been fully implemented.

Actual and Potential ADA Violations Relating to the Obligation of Expired Funds (2022-08)

CONDITION

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

FY 2019**:**

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

FY 2020:

- Three new obligations totaling $40,885.52 were created in the agency's FY 2017, FY 2018, and FY 2019 Treasury Account Symbols (TAS) during FY 2020 during the payment process.
- Invalid upward adjustments to prior year obligations totaling $120,407.25 were recorded to the agency's FY 2018 TAS.
- Two manual journal vouchers totaling $43,965.00 were recorded to reclassify transactions from the FY 2020 TAS to the FY 2018 TAS for FY 2018 employee bonuses that were not obligated prior to 09/30/2018 and were to be paid during FY 2020.
- To date, these violations have not been formally reported to the President and Congress.

During the review of upward adjustments of prior year obligations that were recorded in the Commission's general ledger during FY 2022, we identified one transaction for $3,500 that was incorrectly assigned to the FY 2021 TAS, resulting in the recording of a potentially invalid upward adjustment of prior year obligations.

CRITERIA

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

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

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

> (A) in writing, in a way and form, and for a purpose authorized by law; and
>
> (B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided."

31 U.S. Code §1517. Prohibited obligations and expenditures, states:
"(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding—

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

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

CAUSE

- Existing controls were not sufficient to prevent or detect and correct new obligations or upward adjustments of prior year obligations that were recorded to prior year expired Treasury Account Symbols (TAS) during fiscal years (FY) 2019-2020 through the use of purchase orders, funding documents, transfer of payments during the posting process, and reclassifying journal vouchers.
- Management override of the agency's controls and circumvention of the service organization's system controls and posting models which provided alerts that current year funding should have been used.
- The financial system is not configured on the purchase order level to prevent payments which exceed the amounts that have already been obligated in the general ledger from being recorded. That is, when payments or reclassifications are processed, the obligated amount is automatically increased if the amount of the payment exceeds the total obligations recorded in the general ledger for the purchase order, resulting in the effective increase of the prior year obligated amounts.
- Existing controls are not sufficient to prevent or detect entries to the general ledger that do not agree with source documentation (i.e., purchase orders, contract modifications, vendor invoices, and payment transfers).

EFFECT

- The Commission has not yet fulfilled its reporting obligations under 31 USC §1517(b) for the ADA violations that were verified for FY 2019 and 2020.
- $3,500 overstatement of Upward Adjustments of Prior Year Obligations-Paid in TAS 2021.
- $3,500 understatement of Delivered Orders-Paid in TAS 2022.

RECOMMENDATION

We recommend that Commission management:

- Fulfill the requirements of 31 USC §1517(b) by reporting the FY 2019 and FY 2020 violations to the President, Congress, and the Comptroller General of the United States.
- Perform a legal review of all transactions for which the assignment of a prior budget year is contemplated.

MANAGEMENT RESPONSE

Management does not concur with the Notification of Finding and Recommendation and provided further detail supporting our position in the space provided below or as an attachment to this document.

General Comments

Management non-concurs with the NFR as written to include a new potential ADA for $3,500. In accordance with OMB A-11 sec 20 (page 17), Federal agencies are authorized to execute adjustments to expired year funds when there is no legal exception to the adjustment. After further review of the data submitted by the Office of Inspector General related to the transaction mentioned in the NFR, there is legal precedent that supports the $3,500 adjustment in FY 2021. The legal opinions were provided to Allmond CPA in prior audits for your review.

AUDITORS' RESPONSE

We reviewed the legal opinions provided by management and noted that the facts and circumstances that they address appear to relate to prior year purchase orders that were documented in writing prior to the expiration of funds, but were not recorded in the general ledger during those fiscal years. Under those circumstances, we agree that upward adjustment of prior year obligations would be permitted. For the $3,500 transaction included in this finding, the purchase order was not executed in writing during FY 2021; the agreement was signed in March 2022, after the FY 2021 funding had expired. For this reason, we believe the Commission should investigate the transaction to determine if a violation has occurred.

The following table provides the fiscal year (FY) 2022 status of all recommendations included in the Independent Auditors' Report on the Commission's FY 2021 Financial Statements (November 15, 2021).

Prior Year Finding	Prior Year Recommendation	FY 2022 Status
Year-End Accrued Liabilities Not Estimated or Accurately Recorded (2019-02, 2020-02, 2020-05, 2021-04)	**Recommendations:** Improve controls relating to the estimation and recording of accrued liabilities. Specifically, we recommended that Commission management should:	
	1. Develop a procedure to review disbursements made early in the subsequent reporting period to identify items which should be included in its year-end accounts payable or develop an alternative procedure which appropriately estimates the amount of these liabilities at year-end.	Open
	2. Independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts.	Open
	3. Develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger that are required by generally accepted accounting principles;	Partially Closed
	4. Develop written policies and procedures which define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions	Closed
	5. The Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should independently verify the amounts recorded for accrued liabilities by its shared service provider and examine the entries that the service provider has recorded in its general ledger.	Open

	6. Enhance its existing policies and procedures to require a more thorough review of its year-end accounting entries to ensure that all required information pertaining to accrued liabilities has been received from all sources and has been recorded in the general ledger in accordance with generally accepted accounting principles.	Open
Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and OMB Circular A-136 (2019-01, 2020-01, 2021-02)	Improve the accuracy and completeness of the agency's financial statements and footnotes in accordance with U.S. GAAP and OMB Circular A-136 reporting requirements for the federal government. Specifically, we recommended that Commission management should: 1. Continue to gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that the Commission's reporting requirements are being fulfilled, including those relating to the submission of interim financial statements and footnotes and the proper recording and reporting of loss contingencies. 2. Advise the service provider that outdated/superseded guidance was used in the preparation of its financial statements and footnotes so that this issue can be addressed by the service provider in the future. 3. Request that the service provider enhance its current review procedures to identify errors and omissions in the required financial statements and footnotes and to ensure that all required presentation and disclosure requirements have been met. 4. In accordance with generally accepted accounting principles (GAAP), ask the Commission's General Counsel to identify loss contingencies relating to legal matters that should be recorded in the agency's general ledger and/or disclosed in the notes to the financial statements and instruct the service provider to record these entries and/or disclose these amounts, as appropriate.	Open Closed Open Open Open

	5. Continue to implement management's corrective action plan, including the filling of vacant positions. 6. 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; 7. 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; 8. Increase the precision of existing checklists and variance analysis tools so that changes from known and expected results can be detected and corrected; 9. 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. 10. 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.	Open Open Open Open Open
Corrections for Known Errors and Misstatements Were Not Identified or Recorded in the General Ledger (2021-01)	Record entries needed to correct prior year transactions and balances timely and accurately in the agency's general ledger. Specifically, we recommended that Commission management should: 1. 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.	Open

	2. Review the posting logic that was applied within Pegasys for each correcting entry and record reclassification journal entries in the general ledger using the appropriate general ledger accounts for the correction of errors, in accordance with generally accepted accounting principles. 3. Develop a procedure to validate the agency's beginning balances that are rolled forward from the prior year to ensure that valid balances are not eliminated either before or during the closing process.	Open Open
Employee Benefits Election Forms Not Maintained in eOPF per OPM Requirements (2019-04, 2020-03, 2021-05)	Improve internal controls over the retention and maintenance of employees' personnel records. Specifically, we recommended that Commission management should: 1. 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. 2. 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. 3. Continue to implement the actions identified in its corrective action plan relating to employee payroll and benefits. 4. At the end each pay period or at least monthly, review reports of employee benefit election changes made the employee self-service portal and retain the documentation for all changes in the employees' electronic Official Personnel Folder (eOPF).	Open Open Open Open
Improvements Needed in Internal Control Relating to Property	Develop and document a process to prevent the misstatement of assets, operating expenses, and other balances relating to the acquisition and disposal of capitalized assets.	

Additions, Disposals, and the Recognition of Construction in Progress (2021-03)	Specifically, we recommended that Commission management should: 1. Correct and then regularly update a detailed listing of the assets that are reported in the agency's trial balance and financial statements to enable the agency to verify the capitalized property balances reported in the agency's financial statements are correct and are reported in accordance with generally accepted accounting principles. 2. Regularly assess all capitalized property for assets that are no longer in service or to which the agency no longer has legal rights and ensure that these items are removed timely and proactively by Commission management. 3. Accumulate all expenditures for the leasehold improvements for its new lease, report them as construction in progress, and adjust the balance at the end of each reporting period to reflect the work completed until the project is completed. 4. Ensure that the date of service is entered into the Pegasys property module so that depreciation is properly calculated and recorded for all capitalized assets. 5. Update its financial reporting policies and procedures to include the recording of new capitalized purchases, disposals of capitalized property, and depreciation/amortization in accordance with generally accepted accounting principles.	Closed Closed Closed Closed Closed
Potential ADA Violation Relating to the Obligation of Expired Funds (2019-06, 2020-06)	Complete the reporting process for Antideficiency Act violations that were verified during FY 2020. Specifically, we recommended that Commission management should: 1. 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.	Open

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

GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2022 and 2021

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

BALANCE SHEET
As of September 30, 2022 and 2021
(in thousands)

		2022	2021
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	$ 3,778	$ 3,887
Advances and Prepayments		140	151
Total Intragovernmental		$ 3,918	$ 4,038
Other than Intragovernmental:			
Accounts Receivable [, net]	(Note 3)		1
General Property[,Plant,] and Equipment, Net	(Note 4)	814	212
Total Other than Intragovernmental		$ 814	$ 213
Total Assets		$ 4,732	$ 4,251
Liabilities:	(Note 5)		
Intragovernmental:			
Accounts Payable	(Note 5)	127	188
Other Liabilities	(Note 6)	29	75
Total Intragovernmental		$ 156	$ 263
Other than Intragovernmental:			
Accounts Payable		252	336
Federal Employee and Veterans Benefits Payable	(Note 5)	590	586
Other Liabilities	(Note 6)	172	342
Total Other than Intragovernmental		$ 1,014	$ 1,264
Total Liabilities		$ 1,170	$ 1,527
Net Position:			
Unexpended Appropriations - Funds from Other than Dedicated Collections		3,334	3,085
Total Unexpended Appropriations (Combined or Consolidated)		$ 3,334	$ 3,085
Cumulative Results of Operations - Funds from Other than Dedicated Collections		228	(361)
Total Cumulative Results of Operations (Combined or Consolidated)		$ 228	$ (361)
Total Net Position		$ 3,562	$ 2,724
Total Liabilities and Net Position		$ 4,732	$ 4,251

The accompanying notes are an integral part of these statements.

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

STATEMENT OF NET COST

For The Years Ended September 30, 2022 and 2021

(in thousands)

	2022	2021
Gross Program Costs:		
AB1:		
Gross Costs	$ 10,367	$ 9,560
Less: Earned Revenue		125
Net Program Costs	10,367	9,435
Net Cost of Operations	$ 10,367	$ 9,435

The accompanying notes are an integral part of these statements.

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

STATEMENT OF CHANGES IN NET POSITION

For the Year Ended September 30, 2022

(in thousands)

	FY 2022 (CY)	
	Funds from Other than Dedicated Collections (Consolidated Totals)	**Consolidated Total**
Unexpended Appropriations:		
Beginning Balance	$ 3,085	$ 3,085
Beginning balance, as adjusted	$ 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
Total Unexpended Appropriations: Ending	$ 3,334	$ 3,334
Cumulative Results from Operations:		
Beginning Balances	(361)	(361)
Beginning balance, as adjusted	$ (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
Cumulative Results of Operations: Ending	$ 228	$ 228
Net Position	$ 3,562	$ 3,562

The accompanying notes are an integral part of these statements.

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

STATEMENT OF CHANGES IN NET POSITION

For the Year Ended September 30, 2022

(in thousands)

FY2021 (PY)

	Funds from Other than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:		
Beginning Balance	$ 2,064	$ 2,064
Adjustments:		
Corrections of errors	51	51
Beginning Balance, as adjusted	$ 2,115	$ 2,115
Appropriations received	10,500	10,500
Other adjustments	(194)	(194)
Appropriations used	(9,336)	(9,336)
Net Change in Unexpended Appropriations	$ 970	$ 970
Total Unexpended Appropriations: Ending	$ 3,085	$ 3,085
Cumulative Results from Operations:		
Beginning Balances	$ (530)	$ (530)
Corrections of errors	(11)	(11)
Beginning balance, as adjusted	$ (541)	$ (541)
Appropriations Used	9,336	9,336
Imputed Financing	279	279
Net Cost of Operations	$ 9,435	$ 9,435
Net Change in Cumulative Results of Operations	$ 180	$ 180
Cumulative Results of Operations: Ending	$ (361)	$ (361)
Net Position	$ 2,724	$ 2,724

The accompanying notes are an integral part of these statements.

ARE BLIND OR SEVERELY DISABLED

STATEMENT OF BUDGETARY RESOURCES
For The Years Ended September 30, 2022 and 2021
(in thousands)

		2022 Budgetary	Restated 2021 Budgetary
Budgetary resources			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)		$ 776	$ 563
Appropriations (discretionary and mandatory)		11,000	10,500
Total budgetary resources		$ 11,776	$ 11,063
Status of budgetary resources			
New obligations and upward adjustments (total)	(Note 8)	10,329	10,382
Unobligated balance, end of year:			
Apportioned, unexpired account		755	174
Unexpired unobligated balance, end of year		$ 755	$ 174
Expired unobligated balance, end of year		692	507
Unobligated balance, end of year (total)		$ 1,447	$ 681
Total budgetary resources		$ 11,776	$ 11,063
Outlays, Net			
Outlays, net (total) (discretionary and mandatory)		11,062	9,003
Agency outlays, net (discretionary and mandatory)		$ 11,062	$ 9,003

The accompanying notes are an integral part of these statements.

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

GENERAL FUND

NOTE 1 – 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 $11,000 thousand in appropriated funding for FY 2022, with the stipulation that "No less than $2,650 thousand shall be available for the Inspector General".

Basis of Presentation

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

OMB Circular No. A-136 requires agencies to prepare principal statements which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2022, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Activity and balances reported in the FY 2021 financial statements and footnotes have been reclassified to conform to updated guidance from the U.S. Department of Treasury for FY 2022 reporting.

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, provides 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Intragovernmental Costs and Exchange Revenue

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

Classified Activities

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

NOTE 2 – FUND BALANCE WITH TREASURY

The fund balance with treasury is a consolidated balance of five annual funds (FY 2018, FY 2019, FY 2020, FY 2021, and FY 2022). The FY 2017 annual fund was cancelled, and the remaining $47 thousand fund balance given back to Treasury during FY 2022.

	2022		2021	
Status of Fund Balance with Treasury				
(1) Unobligated Balance				
(a) Available	$	755	$	592
(b) Unavailable		658		507
(2) Obligated Balance not yet Disbursed		2,365		2,788
Total	$	3,778	$	3,887

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following as of September 30:

	2022	2021	
Accounts Receivable - Other than Intragovernmental		$	1

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

As of September 30, 2022, the Committee showed Property, Plant and Equipment with a total cost of $920 thousand and a net book value of $814 thousand. The Accumulated Depreciation to date was $106 thousand.

2022	Equipment	Leasehold Improvements	Total
Cost	$ 59	$ 861	$ 920
Accumulated Depreciation	(20)	(86)	(106)
Net Book Value	$ 39	$ 775	$ 814

2021	Equipment	Construction in Progress	Total
Cost	$ 172	$ 161	$ 333
Accumulated Depreciation	(121)	-	(121)
Net Book Value	$ 51	$ 161	$ 212

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, 2022, the Committee showed liabilities covered by budgetary resources of $584 thousand and liabilities not covered by budgetary resources of $586 thousand. The only liabilities not covered by budgetary resources is the unfunded leave.

	2022	2021
Intragovernmental		
(1) Accounts Payable	$ 127	$ 188
(2) Other	29	75
Total Intragovernmental	156	263
Other than Intragovernmental		
(1) Accounts Payable	252	336
(2) Federal Employee and Veterans Benefits Payable	590	586
(a) Employer Contributions and Payroll Taxes Payable	4	12
(b) Unfunded Leave	586	574
(3) Other Liabilities	172	342
(a) Accrued Funded Payroll and Leave	172	342
Total Other than Intragovernmental	1,014	1,264
Total Liabilities	$ 1,170	$ 1,527
Total Liabilities not covered by budgetary resources	586	574
Total Liabilities covered by budgetary resources	584	953
Total Liabilities	$ 1,170	$ 1,527

NOTE 6 – OTHER LIABILITIES

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

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

	2021	
	Non-Current	Current
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ -	$ 75
Custodial Liability	-	-
Total Intragovernmental	-	75
Other than Intragovernmental		
Accrued Funded Payroll & Leave	-	342
Total Other than Intragovernmental	-	342
Total Other Liabilities	$ -	$ 417

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, 2022 and 2021 were $279 thousand and $131 thousand respectively.

NOTE 7 – LEASES (CONTINUED)

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

Fiscal Year	Office Space Cost Estimates
2023	$319
2024	$322
2025	$326
2026	$140*
Total future payments	$1,107

*Represent partial lease from October 2025 to March 2026.

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

All obligations for the Commission in fiscal year 2022 and fiscal year 2021 are category B on the SF 132, *Apportionment and Reapportionment Schedule*. Apportioned amounts appear on different groups of lines in the application of budgetary resources of an apportionment. Amounts are identified as Category B in an apportionment by a specific program, project, or activity. The amount of direct and reimbursable new obligations and upward adjustments incurred against amounts apportioned under category B are as follows:

	2022	Restated 2021
Direct - Category B	10,329	10,257
Reimbursable - Category B	-	125
Total	$ 10,329	$ 10,382

NOTE 9 – COMMITMENTS AND CONTINGENCIES

As of September 30, 2022, and September 30, 2021, 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 $252 thousand for FY 2022 and $279 thousand for FY 2021. 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, 2022 and 2021, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2021 and 2020. These adjustments include, among other things, downward adjustments to undelivered and delivered orders that were obligated in a prior year fiscal year. The adjustments during the years ended September 30, 2022 and 2021 are presented below.

	2022	2021
Unobligated balance, brought forward from prior year	$ 681	$ 622
Adjustments made during the current year		
Recoveries of prior year unpaid obligations	142	85
Recoveries of prior year paid obligations	-	50
Balance withdrawn to Treasury (canceling fund)	(47)	(194)
Unobligated balance brought from prior year budget authority	$ 776	$ 563

NOTE 12 - UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred. $1,887 thousand was the amount of the Committee's budgetary resources obligated for undelivered orders as of September 30, 2022.

	2022	Restated 2021
Federal Undelivered Orders	$ 259	$ 1,007
Non-Federal Undelivered Orders	1,628	1,398
Total Federal/Non-Federal Undelivered Orders	$ 1,887	$ 2,405
Paid Undelivered Orders - Federal	140	151
Unpaid Undelivered Orders - Federal	119	856
Unpaid Undelivered Orders - Non-Federal	1,628	1,398
Total Paid/Unpaid Undelivered Orders	$ 1,887	$ 2,405
Total Undelivered Orders	$ 1,887	$ 2,405

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 2022 actual budgetary execution information is scheduled for publication in February 2023, 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 Restated FY 2021 SBR and the related President's Budget reflected the following:

FY 2021 - Restated	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 11,063	$ 10,382	$ -	$ 9,003
Difference 1 - Rounding of Unobligated Balance brought forward	437			
Difference 2 - Rounding of Appropriation	500			
Difference 3 - Rounding		(382)		(3)
Budget of the US Government	$ 12,000	$ 10,000	$ -	$ 9,000

NOTE 14 – RESTATEMENTS

The FY 2021 Financial Statement for the Statement of Budgetary Resources was restated due to a correction of a material misstatement for unrecorded obligations. New Obligations and Upwards Adjustments in the Statement of Budgetary Resources were understated by $419 thousand in the September 30, 2021 financial statements and footnotes. The table below identifies corrections made.

Summary of Restated Balances - FY 2021

Statement of Budgetary Resources

	2021 Budgetary	Correction	Restated 2021 Budgetary
Budgetary resources			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$563		$563
Appropriations (discretionary and mandatory)	10,500		10,500
Total budgetary resources	$11,063		$11,063
Status of budgetary resources			
New obligations and upward adjustments (total)	$9,963	$419	$10,382
Unobligated balance, end of year:			
Apportioned, unexpired account	593	(419)	174
Unexpired unobligated balance, end of year	$593	($419)	$174
Expired unobligated balance, end of year	507		507
Unobligated balance, end of year (total)	$1,100	($419)	$681
Total budgetary resources	$11,063		$11,063
Outlays, Net			
Outlays, net (total) (discretionary and mandatory)	9,003		9,003
Agency outlays, net (discretionary and mandatory)	$9,003		$9,003

NOTE 15 – RECONCILIATION OF NET COST TO OUTLAYS

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

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	**$ 2,287**	**$ 8,080**	**$ 10,367**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(98)	(98)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	-	(1)	(1)
Other assets	(11)	-	(11)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
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)
Other financing sources			
Imputed Cost	(252)	-	(252)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(157)**	**151**	(6)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	862	-	862
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**862**	**-**	862
Other Temporary Timing Differences	(161)		(161)
Net Outlays (Calculated Total)	**$ 2,831**	**$ 8,231**	**$ 11,062**
Budgetary Agency Outlays, net (SBR Line 4210)			**$ 11,062**

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 15, 2022, which is the date the financial statements were available to be issued.

4. Other Information

4.1 Summary of Financial Statement Audit and Management Assurances

Table 3. Summary of Financial Statement Audit

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

* Note: Material weakness was lowered to significant deficiency.

Table 4. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	***Reassessed**	**Ending Balance**
Financial Reporting	1	2			1	2
Total Material Weaknesses	1	2			1	2
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform					

* Note: Material weakness was lowered to significant deficiency.

4.2 Payment Integrity Information Act Reporting

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

Fraud Reduction Report

Pursuant to the Fraud Reduction and Data Analytics Act of 2015 (Public Law 114-186, 32 U.S. Code 3321), the U.S. AbilityOne Commission is reporting on its fraud reduction efforts for FY 2021 in three key areas:

1. Implementation of financial and administrative controls
    - The Commission has built-in separation of duties, with the Department of Agriculture serving as a contracted financial, travel, human resources, and procurement services provider through an interagency agreement, while GSA provides payroll processing through a similar agreement. Internally, most financial transactions are prepared by technical staff and are authorized/approved at a higher level.
2. The fraud risk principle in the Standards for Internal Control in the Government (GAO Green Book)
    - The Commission has a low risk of fraud in these areas:
        - Fraudulent financial reporting risk: Financial reporting is provided by an authorized, shared financial services provider within the Federal Government. The Agency Chief Financial Officer started on October 26, 2020. All financial reporting, including financial statements and necessary journal entries, is reviewed and approved by the Commission's Chief of Staff and the Director of Contracting and Policy prior to submission to the Office of Management and Budget. The Commission's financial statements are audited annually.
        - Misappropriation of assets: All assets are recorded in the general ledger, inventoried and tracked in software managed by the Commission. Proper sign out procedures are incorporated for all equipment and property being removed from the property.
        - Waste of government resources and abuse of authority or position: First, the Commission staff is provided with ethics training, and its leadership sets a tone of strong individual integrity. Second, the staff members receive Whistleblower training, with respect to reporting wrongdoing. This information is posted in the headquarters office suite. Third, the Commission has an active and engaged Office of Inspector General. Finally, the Commission is involved with the 2017 National Defense Authorization Act Section 898 Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity, including the Subcommittee on Fraud, Waste and Abuse.
3. OMB Circular A-123 with respect to leading practices for managing fraud risk
    - The Commission has designed and implemented internal controls over major processes to mitigate fraud risk. The Agency utilizes automated time and attendance, procurement, contract payments, and travel and purchase card systems located within other agencies. The Commission reviews the Merchant Category Codes and places appropriate restrictions to prevent and deter unauthorized purchases on both the purchase and the travel cards. Agency points of contact for purchase and travel cards, as well as the financial services provider, are trained to review supporting documentation and identify any anomalies. For example, the assigned Commission staff reviews all travel receipts for reimbursement before approving travel vouchers. The OIG maintains a hotline for individuals to report suspected irregularities and fraud for further evaluation and action.

4.3 Civil Monetary Penalty Adjustment for Inflation

The Commission does not deal with civil monetary penalties.

4.4 Top Management and Performance Challenges Report

Office of Inspector General

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

November 15, 2022

MEMORANDUM

FOR: Jeffrey Koses
Chairperson
U.S. AbilityOne Commission

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

SUBJECT: Top Management and Performance Challenges Report (TMPC) FY22

In accordance with the Reports Consolidation Act of 2000,[1] the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission), for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year (FY) 2022.

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.

In June of this year, the Commission published its Strategic Plan for Fiscal Years 2022–2026 (the Strategic Plan or Plan).[2] The Plan has four strategic objectives and directly engages top challenges identified in the OIG's 2021 TMPC report. In this year's report (2022 TMPC), OIG identified implementation of the Strategic Plan as the most pressing challenge facing the Commission, with previously identified challenges as subsets of it.

In addition to identifying the new challenge of Implementation of the Strategic Plan, OIG keeps in the report three separate, previously identified challenges. Program Compliance (as currently executed, before implementation of the new strategic plan, as well as new challenges as a result of the Strategic

[1] Pub. L. No. 106-531.
[2] U.S. AbilityOne Commission's Strategic Plan for FY 2022–2026. June 30, 2022.

Plan)); Breakdowns in Internal Control; and Unimplemented OIG Audit Recommendations remain top challenges facing the Commission.

Because of the progress made by the Commission in addressing them, we have removed three of the top challenges identified in the 2021 report: Higher Level of Transparency Needed to Enhance Program Confidence; Implementation of Cooperative Agreements with CNAs, as they existed before the Commission issued its new Strategic Plan; and Program Erosion.[3]

As to the watch items identified in the 2021 report, OIG keeps Program Growth and Resulting Risk as a watch item in this 2022 TMPC report. Because of measures the Commission has undertaken, OIG has removed Accessibility, which was a Watch Item in the 2021 report.[4]

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.

[3] See Appendix C for background, progress made by the Commission, and OIG removal of them as a top challenge.
[4] See Appendix B for background, progress made by the Commission, and OIG removal of it as watch item.

Top Management and Performance Challenges Report

Introduction

In accordance with the Reports Consolidation Act of 2000,[5] the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission), for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year (FY) 2022.

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) for FY 2022 as:

1) Implementation of the Strategic Plan
   a) Modernization and Enhancement of Oversight of NPA Compliance
   b) Implementation of new Cooperative Agreements with Central Nonprofit Agencies
   c) Successful Implementation of the Section 898 Panel Recommendations
   d) Use of an Enterprise-wide Risk Management (ERM) Framework

2) Enhancement of Program Compliance
   (as currently executed, before implementation of the new Strategic Plan,
   as well as new challenges as a result of the Strategic Plan)

3) Breakdowns in Internal Control over Financial Management and Reporting

4) Growing List of Unimplemented OIG Audit Recommendations

Appendices

Appendix A – Watch Item: Program Growth and Resulting Risk

Appendix B - Removal of Watch Items: Accessibility

[5] Pub. L. No. 106-531.

Appendix C - Removal of Top Challenges:

1) Higher Level of Transparency Needed to Enhance Program Confidence

2) Implementation of Cooperative Agreements with CNAs
(as they existed before the Commission issued its new Strategic Plan)

3) Program Erosion

Appendix D –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.

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 30 full-time employees[6] 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.

The U.S. AbilityOne Commission recently issued its new Strategic Plan.[7] 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.

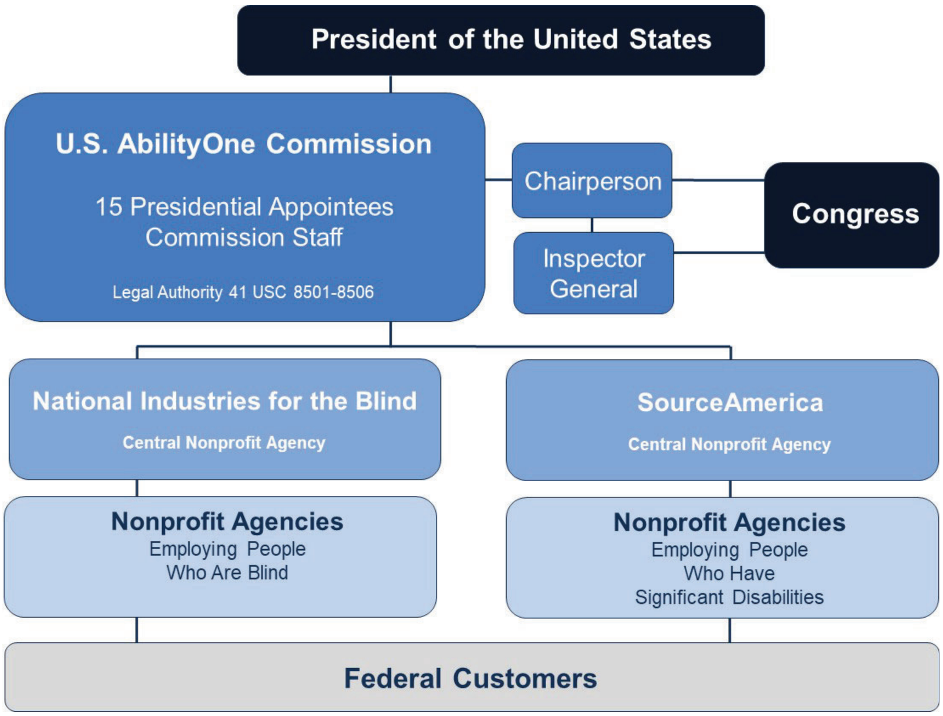
4. Engage in partnerships to increase employment for people who are blind or have significant disabilities within and beyond the AbilityOne Program

[6] Thirty full-time employees at the end of FY22.

[7] U.S. AbilityOne Commission's Strategic Plan for FY 2022–2026. June 30, 2022.

Figure 1:

AbilityOne Program Organization



Top Management Challenge 1: Implementation of Strategic Plan

In June of this year, the Commission published its Strategic Plan for Fiscal Years 2022–2026 (the Strategic Plan or Plan).[8] The Plan has four strategic objectives and directly engages top challenges identified in the OIG's 2021 TMPC report. In this year's report (2022 TMPC report), OIG identified implementation of the Strategic Plan as the most pressing challenge facing the Commission, with previously identified challenges as subsets of it.

Notably, the Commission's 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."

a) Implementation of New Cooperative Agreements with CNAs

The U.S. AbilityOne Commission's mission, as outlined in its new Strategic Plan, requires work to be carried out collaboratively by the CNAs and the NPAs with the Commission.

> To achieve the objectives of this plan – which is a dynamic and living document – the Commission will work collaboratively with its designated Central Nonprofit Agencies (CNAs), qualified nonprofit agencies (NPAs), and the full range of stakeholders representing people with disabilities to identify barriers to the creation of good jobs and optimal jobs in the Program and provide workable solutions to those barriers. The Commission is aware that some NPAs are further along the path set out in this plan than others. The Commission believes that other NPAs will progress along this path if they are provided the proper infrastructure, resources, and technical expertise. 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.[9]

Because of the role of CNAs and NPAs outlined in the Strategic Plan, OIG highlights cooperative agreements as a subset of the new top challenge facing the Commission. Achieving the AbilityOne mission, as outlined in the new Strategic Plan, will require new and updated cooperative agreements.

b) "Modernize and enhance the oversight of NPA compliance with the strategic direction of the AbilityOne Program"

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[8] 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

[9] 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.

In its 2021 TMPC, OIG identified Compliance as a top challenge. That challenge remains and is listed as Challenge No. 2 in this 2022 TMPC report and refers to compliance as currently executed. In its Strategic Plan, the Commission has identified Compliance as having new elements. These include creating "good jobs," and where possible "optimal jobs" and delivering quality contract performance. These elements are described in greater detail below.

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.

OIG will monitor the Commission's progress in achieving these Performance Measure over the course of the next year and report back in the 2023 TMPC.

c) 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.[10] Also, the final Report stated that a supplemental report would be sent to Congress on proposed amendments to JWOD and that the Commission led that interagency effort from May 2022 to August 2022.[11]

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, report in February 2022 to Congress.[12] 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 report for the 898 Panel, except for a supplemental report to be 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

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[10] Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity: Fourth and Final Annual Report to Congress (December2021) https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report_0.pdf

[11] Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity: Fourth and Final Annual Report to Congress (December2021) https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report_0.pdf (p. 26).

[12] https://abilityone.oversight.gov/reports/2022/898-panel-issues-fourth-and-final-annual-report-congress

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 Pane 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 D 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 the past year, the Commission has worked extensively to facilitate 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 the mission to employ people who are blind or have significant disabilities. 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 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 TMPC 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 also is 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 the Defense and the AbilityOne Commission. When the Panel issued its fourth and final report,[13] 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.[14]

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

d) 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, established in 2020, to evaluate, prioritize, and track corrective actions.[15]

Why This is a Challenge

In previous Top Management Challenges Reports, the Commission did not have a formal enterprise-wide program for organizational risk and, as a result, was unable to effectively prioritize and manage risks. Since 2017, the OIG identified a lack of risk management as a serious management challenge. In July 2016, OMB issued an update to Circular A-123 requiring federal agencies to implement Enterprise Risk Management (ERM) procedures so executives can ensure the achievement of the agency's strategic objectives. OMB Circular A-123 provides guidance to Federal Managers on improving the accountability and effectiveness of Federal programs and operations by identifying and managing risks, establishing requirements to assess, correct, and report on the effectiveness of internal controls.

In July 2020, OIG issued a management alert to the Agency to assist with progress in risk management.[16] In the management alert, OIG concluded that the lack of progress by the Commission in implementing an ERM framework coupled with open audit recommendations leaves the Commission vulnerable to fraud and mismanagement of resources, and diminishes reasonable assurance that the AbilityOne program is being managed and administered efficiently, effectively, and in compliance with applicable laws and regulations. While the Commission has taken some steps toward implementing an ERM framework,

[13] See Appendix D.
[14] See Appendix D.
[15] U.S. AbilityOne Commission's Strategic Plan for FY 2022–2026. June 30, 2022.
[16] https://www.oversight.gov/sites/default/files/oig-reports/Management%20Alert_U.S.%20AbilityOne%20Commission%20OIG%2020-05.pdf

further development of it are needed to enable the Commission to effectively respond to both expected and unexpected events. Having an ERM is beneficial because it addresses a fundamental organizational principle: the need for information about major risk to flow both vertically (i.e., up and down) and horizontally (i.e., across business functions). As the Commission continues to explore opportunities to increase resources as addressed in the Agency's Congressional Budget Justification, prioritizing to improve risk planning will better help achieve the intended benefits of the program.

Progress In Addressing the Challenge

Chairperson Koses, together with the Commission members, made tremendous strides in creating a commissioner-led subcommittee on enterprise risk management and auditing. The Commission hired a Chief Financial Officer in 2021. In this role, the CFO has addressed and instituted stronger controls and begun building the ERM. In 2022, the CFO engaged in efforts in the development and execution of Enterprise Risk Management Planning and made strides in strengthening the Commission's Management Internal Controls Program. These efforts address the establishment of an Interim Management Internal Control Program policy[17], the completion of the Commission's Risk Profile, and the identification and finalization of 21 distinct risk mitigation plans for execution. Furthermore, according to the Commission, it has 1) tracked and reported quarterly progress on 32 risk mitigation plans, 2) completed Management Internal Control Program in accordance with the Federal Managers' Financial Integrity Act (FMFIA), and 3) conducted an FY 2022 Management Control Review of 119 Agency controls - one-third of the total 336 controls - and determined Agency internal controls were effective. With the continued development, management, execution, and re-evaluation of the Commission's ERM and Risk Profile, the Commission has an increased ability of mitigating and avoiding risks.

In its Strategic Plan, the Commission has identified using an "Enterprise Risk Management (ERM) framework to evaluate, prioritize, and track corrective action plans." To achieve this Objective and Strategy, the Commission has established one Performance Measure:

> **Performance Measure 1:** The Commission has used the ERM system to identify risks and has established and tracked corrective action milestones.

OIG will monitor the Commission's progress in achieving this Performance Measure over the course of the next year and report back in the 2023 TMPC.

Top Management Challenge 2:
Enhancement of Program Compliance

(as currently executed, before implementation of the new Strategic Plan, as well as new challenges as a result of the Strategic Plan)

[17]https://www.abilityone.gov/laws,_regulations_and_policy/documents/Policy%2051_701%20Interim%20Management%20Internal%20Control%20Program%20Policy%20(2%20Feb%202021)%20signed.pdf

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 40,000 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 significant disability), and company health and safety standards.

As indicated in previous Top Management and Performance Challenges Reports, the Commission had not prioritized the allocation of sufficient resources for executing its compliance responsibilities. This included full policy guidance, procedural guidance, conducting routine inspections, providing comprehensive reviews of annual certifications, and training the NPAs participating in the AbilityOne Program.

Without allocating additional resources to its Office of Compliance, the Commission cannot meet its compliance mission. Since 2011 the Compliance Office has not performed meaningful compliance visits to NIB-affiliated NPAs. Although the Compliance Office delegates certain compliance duties to the CNAs, this lack of direct oversight of the approximately 60 NPAs under NIB poses a risk to program-wide compliance.

The Commission's Oversight and Compliance office often performs its compliance visits of the NPAs along with the CNAs SourceAmerica and NIB.

Moreover, our audit of the Compliance Program[18] found that the Commission's procedures to monitor program compliance are insufficient. Specifically, Commission conducted four compliance visits during FY 2019, none during FY 2020, and in late FY 2021 began conducting compliance visits jointly with the CNAs. In addition, 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.

The audit findings present 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, Wisconsin-based Industries for the Blind and Visually Impaired, and CW Resources, Inc.[19] Essential and basic areas of compliance monitoring of program integrity are still in progress. For instance, NPAs expressed concerns in fulfilling compliance requirements, given the absence of revised and finalized compliance guidance, procedures, and practices by the Commission. The Commission abandoned the completion of the compliance manual and issued new or revised compliance policies but not procedures. In addition, our audit of the Compliance Program identified that some policies are still outdated, while others are incomplete and/or unclear.

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[18] OIG announcement of initiation of Audit of the Compliance Program. https://www.oversight.gov/node/102316

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

Progress in Addressing the Challenge

The Commission has committed resources to the Office of Oversight and Compliance through the appointment of a Director, a Compliance Inspector, and two Vocational Rehabilitation Specialists. With the addition of the two Vocational Rehabilitation Specialists, the Office of Oversight and Compliance had six FTEs through most of FY2022. In summer 2022, one of the Vocational Rehabilitation specialists was promoted to a Workforce Development Specialist and moved to a new team designed to implement the revised compliance approach described below.

The Commission reported that its Oversight and Compliance Office staff conducted more than 200 compliance inspections in FY 2022, about 50 percent on-site and 50 percent virtually. The Commission also stated that they participated in numerous trainings, feedback and CNA/NPA executive dialogue sessions with nonprofit agencies at compliance training symposia hosted by NIB and other conferences hosted by SourceAmerica in May 2022 as well as the NCSE in July 2022.

Modified Compliance Challenge

In its new FY 2022–2026 Strategic Plan, as described by the Commission staff, the Commission envisions an entirely new approach for compliance, which includes the following:

- 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) DLH ratio. These include 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 has resulted in customer satisfaction.

The Commission staff and Commissioners have indicated to OIG that a number of NPAs have not traditionally focused on job customization, employment plans, and outward placements for their employees with disabilities.

Compliance as newly envisioned in the Strategic Plan will include a determination of an NPA's technical capacity and financial resources for these new compliance expectations.

The Strategic Plan notes that the CNAs must actively assist their NPAs in achieving the results expected by the Commission. These expectations for the CNAs will be set forth in the revised Cooperative Agreements discussed above.

Commission staff has informed OIG that the Commission is in the process of updating its compliance policies to convey the new expectations on NPAs with regard to achieving good jobs, and optimal jobs where possible, and with regard to contract performance. It is also updating compliance guidance for documenting a qualifying disability that will reduce burdens on the NPAs and allow them to focus on the new compliance expectations. The revised Cooperative Agreements with the CNAs, as described above, will be used to ensure that the CNAs help NPAs succeed under this new approach.

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 will be to successfully implement the new direction it has set out for the Program. Doing so will require additional staff expertise and financial resources. OIG will monitor the success of the Commission within the agency's current financial resources.

Top Management Challenge 3:
Breakdowns in internal control over financial management and reporting (formerly named, in the 2020 Report, Addressing Anti-deficiency Violations and Strengthening Financial Management)

Why This Is a Challenge

Sound financial management is vital for federal agencies to accomplish their missions in an effective and efficient manner. Yet, the Commission faces significant challenges related to internal control over its financial management operations. Specifically, in their fiscal year 2021 financial statement audit report, the IPA firm Allmond & Company, LLC (Allmond) noted that the Commission's financial statements presented fairly, in all material respects, the financial position of the Commission as of September 30, 2021 and 2020 (unmodified or "clean" opinion).[20] However, the auditors also found serious internal control breakdowns that led to the issuance of six findings and 23 recommendations. The findings included:

[20] https://www.oversight.gov/sites/default/files/oig-reports/CPPBSD/FSA-2021-Financial-Statement-Audit-Transmittal-Letter-and-ReportFINAL.pdf

- One material weakness and four significant deficiencies in internal control over financial reporting, and
- One reportable noncompliance with applicable provisions of laws, regulations, and contracts tested.

The FY2022 FSA report is in draft as of the date of this report and contains at least nine separate findings that include, among other things, breakdowns in internal controls that are either material weaknesses or significant deficiencies in the design and effectiveness of the controls.

Regarding the reportable noncompliance, Allmond determined in previous audits that the Commission potentially violated the Antideficiency Act (ADA) in 17 separate instances. During the 2021 financial statement audit, Allmond found that the Commission verified that the following violations of the ADA occurred during fiscal years (FYs) 2019 and 2020[21], as follows:

FY 2019:

- Total obligations of $1,158, 704.35 were impermissibly charged to the Commission's FY 2018 and FY 2017 Treasury Account Symbols (TAS) that should have been recorded to the Commission's FY 2019 TAS.
- An over-obligation of $1,083,532.21 of the FY 2019 TAS would have resulted if the erroneous obligations had been charged against the correct TAS.

FY 2020:

- Three new obligations totaling $40,885.52 were created in the agency's FY 2017, FY 2018, and FY 2019 Treasury Account Symbols (TAS) during FY 2020 during the payment process.
- Invalid upward adjustments to prior year obligations totaling $120,407.25 were recorded to the agency's FY 2018 TAS.
- Two manual journal vouchers totaling $43,965.00 were recorded to reclassify transactions from the FY 2020 TAS to the FY 2018 TAS for FY 2018 employee bonuses that were not obligated prior to 09/30/2018 and were to be paid during FY 2020.

To date, these verified violations have not been formally reported to the President and Congress in accordance with 31 USC §1517(b), as they are currently with OMB.

Moreover, we reviewed the Commission's financial and award data submitted for publication on USASpending.gov for the second quarter of fiscal year 2021, and the applicable procedures, certifications, documentation, and controls to achieve this process as part of a statutorily mandated audit of compliance with the provisions of the Digital Accountability and Transparency Act of 2014 (DATA Act).[22] Our audit found that the Commission did not generally comply with the DATA Act for 2021.[23] Specifically, our

[21] There were no potential ADAs found in FY2021.
[22] Pub. L. No. 113-101 (2014)
[23] https://www.oversight.gov/sites/default/files/oig-reports/CPPBSD/Final-Report-US-AbilityOne-Commission-DATA-Act-Audit-2022-03-17.pdf

audit determined that the Commission submitted incomplete, but accurate, financial and award data for its second quarter of fiscal year 2021's publication on USASpending.gov and did not have effective internal controls over its DATA Act submission. For instance, the audit identified the Commission did not have policies and procedures in place that established roles and responsibilities for its DATA Act process.

In addition, the Inter-Agency Agreement (IAA) with the Commission and its federal shared service provider (FSSP), the United States Department of Agriculture (USDA), did not discretely document the roles and responsibilities associated with the DATA Act. The lack of roles and responsibilities allowed errors/warnings to exist within the Commission's DATA Act submission as reconciliations were not established. Furthermore, we identified:

- The Commission lacked an agency-specific Data Quality Plan (DQP) that considered incremental risks to data quality in Federal spending data and controls to manage risks,
- Inaccuracies in certain data elements submitted as these data elements did not match source documentation, and
- Several instances in which the submission of procurement awards to Federal Procurement Data System – Next Generation (FPDS-NG) was untimely.

Overall, these control breakdowns hindered the Commission's Senior Accountable Official (SAO) from providing reasonable assurance that the agency's DATA Act file's submission was valid and reliable.

Progress in Addressing the Challenge

The Commission has made progress with this challenge by continuing a Commission-member-led subcommittee on enterprise risk management. Moreover, the Commission hired a new Chief Financial Officer (CFO) in 2021, and, in this role, he has been working to address the ADA violations and has instituted additional controls over funds management, obligations, and payments with the goal of preventing future ADA violations and providing CFO guidance about it. 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 report. The Commission's draft of the ADA violations' report to the President is under review by the OMB Examiner. No additional actions are yet required of the Commission, pending review of the Commission's draft report by the OMB examiner.

Management Challenge 4:
The list of unimplemented OIG audit recommendations will continue to grow significantly without an increased effort to implement corrective actions and strengthen Program controls.

Why This Is a Challenge

The Commission is faced with the challenge of implementing a list of OIG audit recommendations that has grown at a compound annual growth rate of almost 25 percent since the OIG first issued recommendations in 2017. Moreover, each open recommendation presents 1) an unmitigated risk to the Commission's achievement of its goals and strategic objectives and 2) an unseized opportunity to improve the Program's performance. As of September 30, 2022, there are 70 open recommendations, 10 of which were reported as implemented by management but remain open due to inadequate corrective actions and supporting documentation.[24] While there has been an increased focus on remediating open recommendations and improving program controls, the number of recommendations continue to grow at an alarming rate.

Progress In Addressing The Challenge

The Commission has taken positive steps to foster improved recommendation remediation. For example, the Commission assigned the CFO, the CIO, and the PMO Director as Audit Follow-Up Officials (AFOs) responsible for working with OIG on resolving the open OIG audit recommendations affecting their respective areas. Recommendation follow-up is an integral part of good management and is a shared responsibility of agency management and auditors. To that end, the OIG established a process to provide audit recommendation tracking, assessment, and reporting services. As part of this process, the OIG monitors corrective actions taken by Commission staff as well as assesses supporting evidence provided in response to recommendations to determine if the actions and evidence are sufficient to support recommendation closure. We also established two new AFOs from the Business Operations office and the Oversight and Compliance office in order to improve accountability for as well as timeliness of audit recommendation corrective actions. The establishment of the two new AFOs enabled our office to realign 21 open audit recommendations, which were previously being tracked and managed by the PMO, to other Commission offices that are responsible for the audit subject areas and, as such, are better positioned to ensure implementation of the corresponding audit recommendations.

Corrective action by the Commission on deficiencies identified in OIG engagements led to the closure of 12 recommendations (8 for the CFO and 4 for PMO) since the 2021 TMPC report.

The Commission should continue to devote attention to address the outstanding OIG audit recommendations in efforts to ensure that risks are mitigated, and adequate internal controls are identified, documented, and implemented. The OIG will continue to promote ongoing and recurring discussions with management to help focus attention on current processes and assess actions taken by the Commission to close out remaining recommendations.

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), for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal

[24] Quarterly Audit Recommendation Status Report (Appendix E).

year (FY) 2022.

The OIG identified the top management and performance challenges (TMPC) for FY 2022 as: 1. Implementation of the Strategic Plan with subset challenges as Modernization and Enhancement of Oversight of NPA Compliance; Implementation of new Cooperative Agreements with Central Nonprofit Agencies; Successful Implementation of the Section 898 Panel Recommendations; Use of an Enterprise-wide Risk Management (ERM) Framework. 2. Enhancement of Program Compliance (as currently executed, before implementation of the new Strategic Plan, as well as new challenges resulting from the new Strategic Plan). 3. Breakdowns in Internal Control over Financial Management and Reporting. 4. Growing List of Unimplemented OIG Audit Recommendations

Because of the progress made by the Commission in addressing them, we have removed three of the top challenges identified in the 2021 report: Higher Level of Transparency Needed to Enhance Program Confidence; Implementation of Cooperative Agreements with CNAs, as they existed before the Commission issued its new Strategic Plan; and Program Erosion.[25]

As to the watch items identified in the 2021 report, OIG keeps Program Growth and Resulting Risk as a watch item in this 2022 TMPC report. Because of measures the Commission has undertaken in addressing it, OIG has removed Accessibility, which was a Watch Item in the 2021 report.[26]

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.

[25] See Appendix C for background, progress made by the Commission, and OIG removal of them as a top challenge.
[26] See Appendix B for background, progress made by the Commission, and OIG removal of it as watch item.

Appendix A: Watch Item

Watch Item
AbilityOne Program Growth and Resulting Risk

Pursuant to efforts performed by the AbilityOne Commission led by Chairperson Jeffery Koses, a memorandum dated October 30, 2020, OMB's Office of Federal Procurement Policy ("OFPP"),[27] directed agencies across the federal government[28] 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.[29] The Commission anticipates that the ABOR Program will increase AbilityOne contracts, and 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 2022 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.

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[27] OMB Memorandum entitled "Increasing the Participation of Americans with Disabilities in Federal Contracting," dated October 30, 2020.

[28] The memorandum applies to the 24 agencies named in the Chief Financial Officers Act, Pub. L. No. 101-576 (November 15, 1990).

[29] U.S. AbilityOne Commission's Comments to OIG's TMC, "Points for Consideration Top Management Challenges," dated November 5, 2021.

Appendix B: Removal of Watch Items

Removal of 2021 Watch Item: Accessibility

In the OIG's 2021 Top Management Challenges Report, the OIG introduced an emerging challenge regarding the existence of appropriate controls (e.g., knowledge, processes, and resources) to ensure accessibility and reasonable accommodations for people who are blind or have significant disabilities. As a program whose sole purpose is to provide employment opportunities for people with disabilities, it is imperative that the agency understands and utilizes best practices in accessibility and reasonable accommodation. In an effort to address the challenge of accessibility, the Commission staff established a cross-functional Accessibility Council including management and administrative personnel, a vocational rehabilitation specialist, and information technology staff. This internal focus on improving digital accessibility was augmented by contractors with the necessary technical skills to provide functional hardware and software solutions to the agency's adaptive technology users. The Commission also leveraged the skills and abilities of the Commission's Accessibility Council, to which they have also been directed to serve as the agency's Diversity, Equity, Inclusion, and Accessibility (DEIA) team. The DEIA team developed the Commission's first-ever DEIA plan. The OIG has personally experienced the Commission's level of attention and implementation of increased efforts for accessibility awareness and product output. The Commission worked directly with the OIG to ensure that all OIG publications and presentations were 508-compliant.

In light of the above-described efforts by the Commission, OIG removes the 2021 watch list item of "Accessibility."

Appendix C: Removal of Challenges

Removing 2021 Management Challenge 6: Higher Level of Transparency Needed to Enhance Program Confidence

Over the last reporting period, the Commission has made significant progress in addressing public outreach. Because the Commission addressed the challenge successfully, OIG is removing it from the report. The Commission holds public meetings regularly four times in a calendar year, and in FY 2022, the Commission held three public meetings virtually, on the Government Zoom platform. The Commission announced the public meetings in the Federal Register and included public engagement sessions where attendees had an opportunity to ask questions, make suggestions, and comment on all aspects of Commission programs. The public meetings' migration to a virtual platform, in addition to the Commission's outreach and engagement efforts, helped boost attendance at the virtual meetings by 6-fold (from approximately 50 to 300 attendees[30]).

Since taking on the Chairperson role at the end of 2020, Jeffrey Koses brought innovation to the Commission's way of doing business. The Chairperson created Commissioner-led subcommittees on enterprise risk management and auditing, performance management, and competition (which later became the Policy and Regulation subcommittee), which introduce innovation and advance transparency. The Commission-led subcommittee system increases open dialogue among the members (the Commissioner) and generates solutions. Subcommittees have the goal of completing initiatives. The Commission regularly published the Commission's public meetings in the Federal Register.

In 2021, four (4) new private citizen Commission members were appointed by the President and were introduced during a public Commission meeting in August 2021. Subsequently, the newly composed Commission conceived its new Strategic Plan and publicly requested comments on its draft by posting it to its website and in the Federal Register, on www.Regulations.gov, on March 18, 2022. Also, the Commission effectively used the formulation of the Strategic Plan as an opportunity for community engagement and soliciting public comment during the notice and comment period, as announced in the Federal Register.[31] The Commission then held town hall meetings with NPAs and other stakeholders. The Commission also held two listening sessions, one with organizations advocating for the disabled and civil rights and one with self-advocates, including some with experience working on AbilityOne contracts. In June of 2022, the Commission finalized and published its Strategic Plan for Fiscal Years 2022–2026.[32]

On January 20, 2022, the Commission issued its Equity Action Plan, which included a commitment to expand public engagement and transparency. According to the Equity Action Plan, "The Commission began to expand public engagement to increase opportunity for the disability community and other key stakeholders to participate in Commission public meetings. Attendance at the Commission's virtual

[30] U.S. AbilityOne Commission, Equity Action Plan, p. 3 (January 20, 2022).
[31] 87 Fed. Reg. 15,412 (March 18, 2022).
[32] FY 2022-2026 Strategic Plan (abilityone.gov).

October 7, 2021, regular quarterly public meeting represented a 500% increase in attendance compared to pre-March 2020 public meetings (approximately 300 attendees versus approximately 50 attendees)."[33]

The Commission has taken extra steps to increase transparency, such as making the Commission's proposed rules and all public comments available in the Federal Register and on www.regulations.gov. During the pandemic, the Commission has taken steps to increase outreach with stakeholders in its COVID-19 efforts. For instance, the Commission initiated an information exchange with the CNAs on a real-time basis with Federal customers and other stakeholders. In addition, the Commission launched a COVID-19 page on https://www.abilityone.gov/covid19.html that provides the Commission's pandemic guidance, communications, and other topics involving the global pandemic. The Commission utilized social media, specifically Facebook, Instagram and LinkedIn accounts to communicate about Commission events and activities, including the new Strategic Plan and the end of use of subminimum wages on AbilityOne contracts. As an example, from December 2, 2016, through June 29, 2022 the Commission posted no content on the agency's public Facebook or LinkedIn feeds. Starting June 29, 2022, and through the date of this report, the Commission had 29 posts on those platforms. The content included topics from announcing the Commission's Strategic Plan, to public meeting's material, and other relevant news. The increase in posts represents one aspect of the Commission's outreach strategy. The Commission has also taken a forward stance with press releases for the announcement of the new private citizen Commissioners and changes in senior staff.

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 898 Panel's Interagency Task Force work from May to August 2022. See Appendix D.

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.

A House Report[34] points to questions raised by Congress about language in the Cooperative Agreements

[33] U.S. AbilityOne Commission, Equity Action Plan, p. 3 (January 20, 2022).
[34] House Report. *See also* Joint Explanatory Statement to Consolidated Appropriations Act, FY 2022, Pub. L. No 117-103, Division H, Title IV, p. 139.

between the Commission and the CNAs, requiring the CNAs to notify in advance and report to the Commission any meetings with key stakeholders, including with Congressional members and staff. OIG reports that the Commission has removed from each of the CNAs' Cooperative Agreements the requirement to provide notification of significant meetings.

To help accomplish its regulatory agenda, the Commission has improved staffing in its Office of Counsel, from one to two attorneys and recently announced the selection of a third attorney who is to begin in mid-November 2022.

Overall, the Commission has implemented a system now in place that includes public meetings, town halls, publications of notices and requests for comments in the Federal Register, a broader email list for communications, the 898 panel-related interagency working group which will continue for purposes of collaboration and transparency with other government agencies, and personal communications with disability advocates.

For all the reasons above, OIG removed transparency from the top management challenges facing the Commission.

Removing 2021 Management Challenge 8: Implementation of Cooperative Agreements with CNAs

(as they existed before the Commission issued its new Strategic Plan)

In the FY22 markups of both the House and Senate, the proposed appropriations contained language expressing the Legislators' concerns over the Commission's Cooperative Agreements:

> "The Committee is encouraged by the steps the Commission has taken to address concerns regarding the oversight of the central nonprofit agencies [CNA], the independent contracted organizations which administer the program. *The Committee is concerned that CNAs are required to report to the AbilityOne Commission prior to any significant meetings, including congressional oversight meetings, and directs the agency to remove this requirement from the CNA cooperative agreements*. The Committee for Purchase From People Who Are Blind or Severely Disabled shall submit in an electronic format quarterly reports on CNA Fees and CNA Expenditures, due no later than 60 days after the end of the fiscal quarter, to the Committees on Oversight and Government Reform and Education and the Workforce of the House of Representatives, Committees on Homeland Security and Governmental Affairs and Health, Education, Labor, and Pensions of the Senate, and Committees on Appropriations of the House of Representatives and the Senate." *Emphasis added.*

Addressing the Congressional directive referenced above, in the December 17, 2021, and May 3, 2022, Cooperative Agreements (respectively between SourceAmerica and National Industries for the Blind), the Commission has removed the requirement that CNAs provide written notice to the Commission at least ten business days in advance of significant meetings.[35] Prior to this revisions, the notice requirement applied to significant meetings, which included meetings with key stakeholders such as Congressional members and staff and the White House and Executive Office of the President.

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

Because of the progress made by the Commission in addressing the challenge, OIG removes Implementation of Cooperative Agreements with CNAs as a top challenge, as identified in the 2021 TMPC report.

On another note, in this 2022 TMPC report, OIG identifies Implementation of new cooperative agreements with the CNAs as a subset of the top challenge facing the commission: Implementation of the New Strategic Plan (see challenge 1 at the beginning of this report).

Removing Management Challenge 9:

Program Erosion

Why This Is a Challenge

During the last five reports, since 2017, we identified and presented the concept of erosion of statutory program authority as a challenge to ensure this valuable program has the resources and support it needs to grow and increase the employment of people who are blind or have other significant disabilities. The legal framework for the AbilityOne Program was created in 1938 and amended in 1971. Since then, it has not had a reauthorization or modernization. Since 1971 Congress has enacted, and agencies have implemented, multiple acquisition reform laws designed to modernize the way government agencies buy goods and services. Some of these laws have created conflict with the AbilityOne Program. Although Congress has addressed, and the Commission has to some degree been able to mitigate, some of the conflicts presented by legislation, program erosion continues to be a top management challenge. In addition to statutory conflict, the decentralization created by the growth of online sales, has increased the sale of so-called "Essentially-the-Same" products that supplant sales of legitimate AbilityOne products.

Essentially the Same Products (ETS)

[35] Cooperative Agreement with SourceAmerica, December 17, 2021. Cooperative Agreement with National Industries for the Blind, May 3, 2022.

If a product or service is contained in the Procurement List maintained by the Commission, the law requires that the federal government purchase that product or service from a nonprofit agency that employs the blind or significantly disabled.[36] In addition to 4,000 specific service contracts, the AbilityOne Procurement List includes approximately 15,000 products.[37] AbilityOne products fulfill a wide range of government needs including cleaning and office supplies and military equipment such as parachutes and armored survival vests. According to Commission numbers, in FY20 for example, AbilityOne product sales totaled $1.28B.[38]

Pursuant to the AbilityOne's Policy, this mandatory sourcing requirement includes items—although not specifically identified by a National Stock Number on the Procurement List—represent "form, fit, and function sufficient to enable interchangeability."[39] The AbilityOne Policy defines such products as essentially the same products (ETS) and prohibits purchases of ETS by federal government procuring officials and purchase card holders. For instance, if a product, such as a toilet paper or hand sanitizer, is included on the AbilityOne mandatory Procurement List, the government agency must purchase that toilet paper or hand sanitizer from an AbilityOne contractor even if an ETS product that costs less exists for purchase elsewhere.

Historically, before 2014, federal customers have fulfilled purchases through centralized distribution systems that ensured products being sold were ETS-free and being produced by qualified AbilityOne NPAs and ultimately employing the blind and severely disabled. The new trend is for these sales occur online. As this system moves online, it has becoming increasingly decentralized. Whereas in the past, federal customers would fulfill their purchases through a central warehouse, the current distribution system encompasses a complex network of distributors including multiple online procurement platforms run by GSA,[40] agency-specific online purchasing platforms built for individual agencies,[41] brick-and-mortar retailers, and AbilityOne NPAs. The Commission's oversight responsibilities have struggled to keep track with the changing market landscape.

The Commission currently authorizes more than 250 distributors to sell AbilityOne products and has

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[36] JWOD gives the Commission authority to maintain a Procurement List, and pursuant to 41 C.F.R. § 51–5.2(b), "Purchases of commodities on the Procurement List by entities of the Government shall be made from sources authorized by the Committee."
[37] U.S. AbilityOne Commission, Performance and Accountability Report, Fiscal Year 2021, p. 13.
[38] U.S. AbilityOne PowerPoint, *FY2020 AbilityOne Program Results* (April 22, 2021).
[39] U.S. AbilityOne Commission Policy, *Requirement to Purchase Products on the Procurement List Instead of Essentially the Same (ETS) Items,* Policy 51.541 (Essentially the Same defined).
[40] GSA runs three platforms: GSA Advantage (an online government purchasing service run by GSA for use by all federal agencies), FedMall (an e-Commerce ordering system for DoD, federal, state, and authorized local agencies to search for acquire products from government reserves and commercial sources), GSA Global Supply (yet another online government purchasing service run by GSA for all federal agencies).
[41] In addition to platforms run by GSA, other federal agencies have created other online marketplaces specific to their agencies to fulfill their product purchasing needs. For example, both FEMA and U.S. Air Force have partnered with Amazon Business for an eCommerce pilot program.

policies in place to prevent ETS sales. To maintain their authorization as distributors, they must comply with AbilityOne Policies Procedure 51.540-01[42] and 51.541.[43] Policy 51.541 defines what constitutes "Essentially the Same" products, and 51.540 outlines the requirement that authorized distributors "block and sub," which means blocking the sale of ETS on their platforms and substituting legitimate AbilityOne products. Pursuant to its Policy 51.540, the Commission has a three-strike policy whereby a third violation within a 12-month period will result in de-authorization of the violating distributor.

Although the Commission has a procedure that outlines penalizing an authorized distributor who sells ETS, NPAs have reported to OIG that the Commission does not adhere to this Procedure and has developed an informal process, whereby the Commission gives noncompliant distributors multiple warnings without actually removing them from the authorized distributor program, despite continued noncompliance. Given the apparent scope of the problem based on the only available data, combined with the fact that the problem is likely worse than the limited data already suggests and a reported lack of internal adherence to AbilityOne's enforcement procedures, OIG has added ETS sales as a top management challenge.

Although AbilityOne does not track ETS sales across the myriad platforms where AbilityOne products are purchased, data compiled by CNA NIB provides some insight into the substantial scope of the problem. For example, according to statistics compiled by NIB, in FY21 there were $16,912,036.28 in AbilityOne product sales on the GSA Advantage website. In addition to these legitimate AbilityOne sales on GSA Advantage, $1,220,371.81 went to the purchase of ETS, just in FY21 alone. This means that for every $1 spent procuring products for the government on the GSA Advantage website, almost $.07 in sales were lost to ETS.

One primary objective of GSA Advantage is to provide a safe place to ensure legitimate AbilityOne products are purchased. Yet there is a loss rate of almost 7% to ETS. Moreover, GSA Advantage represents only one component in a complex network of online marketplaces. NIB estimates that only 10-15% of AbilityOne sales take place on GSA Advantage. The Commission does not compile data on other platforms that sell AbilityOne products, so it remains impossible to know the exact extent of the problem. Because GSA Advantage deploys various safeguards to prevent the sale of ETS, it is likely that ETS sales represented a larger portion of sales at less regulated points of sale.

The GSA Commercial Platforms Initiative (CPI), and the lack of ETS safeguards in this pilot program, has the potential to erode further AbilityOne product sales. The FY 2018 NDAA was signed by the President on December 12, 2017 and included Section 846.[44] Section 846 directed the General Services Administration (GSA), in partnership with the Office of Management and Budget (OMB), to "…establish

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[42] AbilityOne Policy 51.540-01, Procedures for Addressing Noncompliance with AbilityOne Authorized Distributor Program Policy (July 1, 2016).
[43] AbilityOne Policy 51.541, Requirement to Purchase Products on the Procurement List Instead of "Essentially the Same (ETS)" Items (April 27, 2015).
[44] Pub. L. No. 115-91.

a program to procure commercial products through commercial E-Commerce portals for the purposes of enhancing competition, expediting procurements, enabling market research, and ensuring reasonable pricing of commercial products." The GSA Commercial Platforms Initiative (CPI) currently has three contracts with Overstock.com, Fisher Scientific, and Amazon. NIB has raised concerns the CPI is not effectively blocking ETS sales. Furthermore, GSA has issued and shared with industry a draft RFP to bring in additional contractors into CPI. Instead of requiring contractors to remove ETS, the draft RFP allows proposals to alternatively "identify, highlight, and promote AbilityOne products that are offered by authorized distributors."

The OIG views the innovations of E-Commerce as the future of an evolving marketplace. There is, however, the risk for significant program erosion despite the shared success of the E-Commerce platform. It is paramount that the buyers of products and services, i.e. the government agencies and their purchase officers, understand that the customer that the E-Commerce platform seeks to serve is the AbilityOne Program itself. It is likewise critical that vendors and the platforms on which they operate are able to block effectively ETS offerings on their websites to help prevent government buyers from inadvertently purchasing products that do not fulfill the AbilityOne procurement requirements.

Progress In Addressing The Challenge

In an important effort to ensure that NPAs performing AbilityOne service contracts also use AbilityOne products, Chairperson Koses signed a new AbilityOne Policy (Policy 51.542) on July 20, 2022, with an effective date of October 1, 2022. Pursuant to the Policy, NIB and SourceAmerica are required to ensure that all AbilityOne service contracts performed by NPAs include a clause in the contract that those NPAs purchase and use supplies from AbilityOne NPAs to the maximum extent practicable. The Policy 51.542, entitled Nonprofit Agency Use of AbilityOne Products in AbilityOne Service Contracts,45 represents an important tool against program erosion through the prevention of sales of non-AbilityOne products to AbilityOne NPAs performing AbilityOne service contracts.

The Commission's Regulatory Agenda includes notice of the Commission's intent to publish a Notice of Proposed Rulemaking related to protecting the exclusivity of AbilityOne mandatory source products from Government purchases of "essentially the same" products.

The Veterans Benefit Act of 2006 and the "Rule of Two"

In 2020 legislation brought progress with an effort to preserve the employment of the blind and severely disabled, Congress passed the *VA Contracting Preference Consistency Act of 2020,*[46] which became law on August 8, 2020, and was created to preserve the AbilityOne Program with respect to products and services that the VA was purchasing before the VBA was enacted in 2006.

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[45]https://www.abilityone.gov/laws,_regulations_and_policy/documents/Policy%2051.542%20(final%20version).pdf

[46] Pub. L. No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).

Congress passed the Veterans Benefits Act (VBA of 2003), which encouraged contracts awarded to service-disabled veterans with the explicit exclusion that such award should not be made if the procurement is available as a JWOD set-aside. In 2006, however, Congress enacted the Veterans Benefits, Health Care, and Information Technology Act (VBA of 2006), which removed JWOD language from the VBA of 2003 and created ambiguity as to which law (JWOD or VBA 2006) took priority in determining contract source.

In *Kingdomware Technologies, Inc. v. United States,*[47] the Supreme Court held that VA contracting officers are required to give veteran-owned small businesses (VOSBs) procurement priority when there is a "reasonable expectation" that two or more VOSBs will bid on the contract "at a fair and reasonable price that offers best value to the United States."[48] This is known as the "Rule of Two" analysis. The Court also held that this analysis was required regardless of whether the VA had already met its annual minimum VOSB contracting goals.[49]

In its 2018 decision, *PDS Consultants*,[50] the U.S. Court of Appeals, Federal Circuit, ruled that the 2006 VBA requirements took priority over the AbilityOne procurement list, jeopardizing contracts for products and services that had previously been provided through AbilityOne program contracts. The Court of Federal Claims held that the VA must conduct a "Rule of Two" analysis for all new procurement contracts before treating the AbilityOne Procurement List as a mandatory source pursuant to the JWOD Act. The Court of Federal Claims also held that because the VBA of 2006 applied only to the VA's procurements, the VBA was a more specific statute than the JWOD Act's broad application government-wide, and thus the VBA would take precedence, regardless of the existence of a prior contract with a Procurement List contractor.

In an effort to preserve the employment of people who are blind or have other significant disabilities, Congress passed the *VA Contracting Preference Consistency Act of 2020,*[51] which became law on August 8, 2020, and was created to preserve the AbilityOne Program with respect to products and services that the VA was purchasing before the VBA was enacted in 2006. The Veterans First Program under the VBA still applies to all other products and services. In order to ensure compliance with *VA Contracting Preference Consistency Act of 2020*, the VA revised its Acquisition Regulation VAAR at Part 808 to restore AbilityOne as a priority mandatory source for covered products on the Procurement List, with the exception that contracts previously awarded to VOSBs between December 22, 2006, and August 7, 2020, shall continue to receive preference under certain conditions.

Randolph-Sheppard Act

The Randolph-Sheppard Act (RSA) was passed in 1936 and amended in 1954 and 1974.[52] Its implementation has conflicted with the JWOD Act since the latter's 1938 inception. The RSA was enacted to provide blind persons with remunerative employment, enlarge their economic opportunities, and

[47] 136 S.Ct. 1969 (2016).
[48] Veterans Benefits Act of 2006, 38 U.S.C. § 8127(d).
[49] *Kingdomware Technologies, Inc. v. United States*, 136 S.Ct. 1969 (2016).
[50] *PDS Consultants, Inc. v. U.S., Winston-Salem Industries for the Blind*, 907 F.3d 1345 (October 17, 2018).
[51] Pub. L. No. 116-155 (2020) (codified as amended at 38 U.S.C. § 8127).
[52] 20 U.S.C. §§ 107 et. seq.

encourage their self-support through the operation of vending facilities in federal buildings. The U.S. Department of Education (ED) prescribes regulations for the Randolph Sheppard Vending Facility Program ("vending program") as set forth in 34 CFR, Part 395, implementing RSA as amended.

Under ED's vending program, "state licensing agencies recruit, train, license, and place individuals who are blind as operators of vending facilities located on federal and other properties. The RSA authorizes a blind individual licensed by the state to conduct specified activities in vending facilities through permits or contracts."[53] However, recent progress has been made by RSA participants and supporters to implement the respective mandates as Congress intended.

In 2006, Congress sought to dispel the confusion and conflict between the JWOD and RSA Acts via the 2006 National Defense Authorization Act. Congress required the agencies administering both the JWOD Act and the RSA (the Commission and ED, respectively), as well as the Department of Defense (DoD) to issue a joint statement clarifying "the application of those Acts to both operation and management of all or any part of a military mess hall, military troop dining facility, or any similar dining facility."[54]

The Commission, ED, and the DoD complied with this Congressional directive. The three agencies developed a task force comprised of representatives from each agency that "met weekly and engaged in almost daily discussions by electronic mail and telephone to develop a joint statement of policy pursuant to Section 848 [of the 2006 NDAA]."[55] The three agencies also "solicited public comments through a notice in the Federal Register, and approximately 240 comments were received."[56]

The agencies memorialized their agreement as to the policy that should govern the application of the JWOD Act and RSA to military dining facilities in a joint report to Congress dated August 29, 2006 (the "Joint Policy Statement"). According to the Joint Policy Statement, "contracts will be competed under the RSA when the [DoD] solicits a contractor to exercise management responsibility and day-to-day decision-making for the overall functioning of a military dining facility," i.e., operation of the military dining facility.[57] However, "In all other cases, the contracts will be set aside for JWOD performance."[58]

After two years[59] of lost AbilityOne Program jobs, the Unified Agenda[60] published on June 11, 2018, includes an entry by DoD regarding this proposed rule. The DoD entry states that the "DoD is issuing a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) . . . to implement the Joint Report and Policy Statement (Joint Policy Statement) issued by DoD, the Department of Education, and the CFP pursuant to section 848 of the NDAA for FY 2006.

[53] *https://www2.ed.gov/programs/rsarsp/index.html*.
[54] NDAA of 2006, Pub. L. No. 109-163, § 848(b), 119 Stat. 3136, 3395 (2006).
[55] Joint Report to Congress, Section 848 of the National Defense Authorization Act for Fiscal Year 2006: Application of the Javits-Wagner-O'Day Act and the Randolph-Sheppard Act to the Operation and Management of Military Dining Facilities (Aug. 29, 2006) ("Joint Policy Statement") at 3.
[56] *Id.*; *see also* Statement of Policy and Report Relating to Contracting with Employers of Persons with Disabilities, 71 Fed. Reg. 5819 (Feb. 3, 2006) (requesting public comments).
[57] Joint Policy Statement at 4, Full Food Services (FFS).
[58] *Id.* (emphasis added).
[59] *See* FY 2015 NDAA Joint Explanatory Statement (prompting the DFARS rule). P.L. 113-291 (December 2014).
[60] The Unified Agenda is a semi-annual report on the actions that agencies plan to issue in the near and long term.

This program continues to face challenges to its authority. In *Top Gun Services, LLC v. U.S.*[61], Top Gun alleged that the Defense Commissary Agency's (DeCa) Notice to Trade utilized a sole-source method in violation of the Competition in Contracting Act. Top Gun contended that DeCa had "deprived it of the opportunity to compete for the work it [was] awarding through NTT 2020." However, the Court dismissed the suit on the grounds that Top Gun lacked proper standing. The Court ruled that Top Gun lacked subject-matter jurisdiction. In order for it to establish standing, the Court stated that it must show: "(1) that it is an actual or prospective bidder or offeror and (2) that it has a direct economic interest which would be affected by the award of the contract or by failure to award a contract." Top Gun failed to establish that it was a qualified bidder, it was not a nonprofit agency, and it did not fall within the definition of qualified nonprofit agency" as set forth in 41 U.S.C. §§ 8501(6), 8501(7), and 8503(a)(1).

Competitive Source Selection

In May of 2021, the United States Court of Federal Claims ruled against the establishment of an AbilityOne Commission Pilot Program for competitive pricing.[62] The pilot program was an interim policy modification to follow 898 Panel recommendation for competitive source selection.[63] The Court found that AbilityOne Commission could not use Section 898 of the 2017 NDAA as authority for making the policy.[64] The court held that 898 Panel recommendations and the acceptance of its reports by Congress does not equate to statutory authority to make regulations.[65] The Court also found that the interim policy was contrary to the JWOD Act because it did not follow AbilityOne's regulations.[66] The Court held that current AbilityOne regulation 41 C.F.R. § 51-2.7 makes price a factor to be considered and negotiated after a non-profit is awarded a contract, and this paradigm makes competitive programs that factor cost incompatible.[67] The Commission's ability to effect change through the rulemaking process, as opposed to interim policies, presents an administrative challenge to the Program and will require sufficient legal staffing and sustained focus.

Additional Examples of Erosion of Statutory Program Authority

The following illustrates additional examples of AbilityOne Program erosion:

a. Recommendations for changes to the AbilityOne Program and the definition of "competitive integrated employment" resulting from the report of the Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities established under Section 609 of the Rehabilitation Act of 1973, as amended by Section 461 of the Workforce Innovation and Opportunity Act;
b. The 898 Panel report identified definitions that should be amended to bring JWOD into compliance

[61] *Top Gun Services, LLC v. U.S.*, 1:20-cv-00908-DAT, No. 20908C (Fed. Cl, Nov. 11, 2020).
[62] *Melwood Horticultural Training Ctr., Inc. v. United States,* 153 Fed.Cl. 723 (May 4, 2021).
[63] *Id.* at 731-32.
[64] *Id*. at 736.
[65] *Id.* at 737-38.
[66] *Id.* at 735-41.
[67] *Id.* at 739.

with the Workforce Innovation and Opportunity Act;[68]

c. Efforts by the Small Business Administration to assert its preference programs over the mandated priority of the JWOD Act;
d. Lack of enforcement capabilities for the AbilityOne Program to assert its mandated source-priority when federal agencies fail to purchase AbilityOne products and services;
e. Increased legal challenges from qualified NPAs questioning the Commission's ability to administer the AbilityOne Program;
f. Under its authorizing statute, the 898 Panel's work sunset in 2021 with the submission of the fourth annual report.[69] The Panel was tasked with recommending actions to eliminate waste, fraud, and abuse of AbilityOne contracts with the Department of Defense.[70]

Progress In Addressing The Challenge

As mandated by Congress, the Commission is a member of the 898 Panel. The mandate of the 898 Panel included making recommendations to Congress regarding the JWOD Act and improving the AbilityOne Program. The 898 Panel released its fourth and final annual report to Congress on February 7, 2022.[71] Issuing 25 recommendations, the 898 Panel identified as a "consistent finding in each of the Panel reports . . . the limited resources in funding and staffing available to the U.S. AbilityOne Commission." .[72] The 25 recommendations were grouped into eight areas.

The Commission will continue to work with Congress to update legislation improving the AbilityOne Program's statutory authority per the 898 Panel's recommendations that the Commission do so. The Commission continues to seek increased cooperation from AbilityOne Program CNAs and NPAs participants to improve processes and controls, and to recognize the market evolution where NPAs increasingly contribute their own ideas for inclusion of items to the Procurement List. On August 8, 2022, The Commission announced its Regulatory Agenda,[73] which included requesting comment on how to incorporate recommendations from the section 898 panel review mandated by the National Defense Authorization Act for Fiscal Year 2017 (Pub. L. 114–328) into the Committee's regulation at 41 CFR part 51. The Commission requested comment in areas including responsibilities and procedures associated with authorization/deauthorization of nonperforming nonprofit agencies; transfer of work within the AbilityOne Program; and broadening the methodologies used for the review of and/or negotiation of initial fair market prices and revised fair market prices for products and services on the AbilityOne Program Procurement List.

The Commission has been working closely with the Department of Defense and civilian agencies introducing the AbilityOne Representatives (ABOR) Program. OMB's Office of Federal Procurement implemented the ABOR Program through a policy on October 30, 2020.[74] The policy establishes ABORs

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[68] "Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity" 2018 First Annual Report to Congress (898 Panel Report (2018)) at 19.
[69] Pub. L. No. 114-328 §898(j) (130 Stat 2331).
[70] *Id.* at §898(c).
[71] https://abilityone.oversight.gov/reports/2022/898-panel-issues-fourth-and-final-annual-report-congress.
[72] *Id.* at 7.
[73] Fed. Reg. Vol. 87, No. 151 (August 8, 2022).
[74] https://www.abilityone.gov/media_room/documents/Increasing-the-Participation-of-Americans-with-Disabilities-in-

for civilian agencies and encourages agencies to award a minimum percentage of the agency's total contract spend on AbilityOne products and services each year. Also in October 2020, the Office of the Under Secretary of Defense issued a policy directing DoD Components to establish an AbilityOne Representative (ABOR) Program with a target implementation date of October 1, 2021.[75] To date, 19 CFO Act agencies have named their respective ABORs, and 12 agencies have made pledges to increase their AbilityOne utilization.

In an effort to preserve the employment of people who are blind or have other significant disabilities, Congress passed the *VA Contracting Preference Consistency Act of 2020,*[76] which became law on August 8, 2020, and was created to preserve the AbilityOne Program with respect to products and services that the VA was purchasing before the Veterans Benefits Act (VBA) was enacted in 2006. The legislation amended 38 U.S.C. § 8127 to require VA contracting officers to procure covered products and services on the Procurement List, unless the covered product or service was procured from an eligible SDVOSB or VOSB as a result of a VA Rule of Two determination between December 22, 2006, and August 07, 2020.

The compromise legislation restored mandatory status to the AbilityOne Program for VA requirements that were added to the Procurement List prior to December 22, 2006, including replacement products and "essentially the same" products. According to the Commission, in FY22 Commission staff worked with the VA Office of Acquisition to provide a monthly Procurement List spreadsheet sorted by date of addition, to assist VA in complying with the new law.

In January 2021, the Commission entered into a new Memorandum of Understanding (MOU) with the Rehabilitation Services Administration. The purpose of the MOU is to increase communication and coordination between the Commission and RSA so that both the JWOD Act and the Randolph-Sheppard Act are followed when food service or other vending opportunities are identified. The MOU is posted on the Commission's and RSA's website.[77] The Commission and RSA conducted a joint training session on the purpose and content of the MOU via YouTube, with live questions and answers, as well as subsequent written Q&A. The Commission and RSA continued to meet during FY 2022, and the Commission views this MOU as a good example of interagency coordination and cooperation that may be replicated.

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

Federal-Contracting.pdf

[75]https://www.abilityone.gov/media_room/documents/Signed%20DoD%20NDEAM%20Memo%20(08OCT2020).pdf

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

[77] AbilityOne RSA MOU (01.19.2021).pdf.

Because of the progress made by the Commission in addressing the challenge, OIG removes Erosion as a top challenge, as identified in the 2021 TMPC report.

Appendix D

898 Open Recommendations

List of Open or Ongoing Recommendations for Commission Action

#	Recommendation for Commission Action	Complete	Status
Subcommittee One: Inspector General			
N/A	U.S. AbilityOne Training must be continually updated, as Panel recommendations are implemented.	☑	Ongoing
Subcommittee Two: Eliminate Waste, Fraud, and Abuse			
1	Increase oversight and strengthen audit coverage.	Partially; ongoing efforts to continue	Progress made
2	Impose stricter requirements on NPAs for documentation of significant disability and eligibility determinations.	Partially; ongoing efforts to continue	Progress made
Subcommittee Three: Employment Initiatives (merged into Eight – see below)			
Subcommittee Four: Laws and Regulations			
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.	Legislative options to be submitted separately	Progress made
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.	Legislative language to be submitted separately	Progress made
5	Amend the JWOD Act's definition of "severely disabled," 41 U.S.C. §§ 8501(5) and (8), to eliminate the presumption	Legislative language to	Progress made

#	Recommendation for Commission Action	Complete	Status
	that eligible individuals are not competitively employable and to clarify and institute a workable definition.	be submitted separately.	
Subcommittee Five: Veterans Eligibility (merged into Subcommittee Eight; see below)			
Subcommittee Six: Acquisition and Procurement			
6	Establish business rules for competition and assignment of work among AbilityOne Program NPAs.	In process; NPRM anticipated by Dec. 2022	Progress made
7	Establish penalties if a CNA or NPA does not follow policies and procedures.	In process; NPRM awaiting OIRA approval	Progress made
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 awaiting OIRA approval	Progress made
Subcommittee Seven: Business Process Re-engineering			
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.	☑	Ongoing
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	Progress made
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	☑	Ongoing

#	Recommendation for Commission Action	Complete	Status
	Program participation.		
10	Pursue Defense Federal Acquisition Regulation Supplement (DFARS) (Procedures, Guidance, and Information [PGI] language) to detail how to do business with the AbilityOne Program.	Partially; with PGI working group for further action	Progress made
Subcommittee Eight: Employment Initiatives and Veterans Eligibility			
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.	☑	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	Progress made

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Table 1: Open as of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
1	FY2020 Financial Statement Audit	CFO-2020-01	Continue to gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of its shared service provider and to ensure that its reporting requirements are being fulfilled, including those relating to the submission of interim financial statements and footnotes and the proper recording and reporting of loss contingencies *(Repeat finding from 2019 Financial Statement Audit)*.	10/24/2023	Open	CFO	Implemented
2	FY2020 Financial Statement Audit	CFO-2020-02	Advise the service provider that outdated/superseded guidance was used in the preparation of its financial statements and footnotes so that this issue can be addressed by the service	10/24/2023	Open	CFO	Implemented

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			provider in the future *(Repeat finding from 2019 Financial Statement Audit)*.				
3	FY2020 Financial Statement Audit	CFO-2020-03	Request that the service provider enhance its current review procedures to identify errors and omissions in the required financial statements and footnotes and to ensure that all required presentation and disclosure requirements have been met *(Repeat finding from 2019 Financial Statement Audit)*.	10/24/2023	Open	CFO	Implemented
4	FY2020 Financial Statement Audit	CFO-2020-04	In accordance with generally accepted accounting principles (GAAP), ask the Commission's General Counsel to identify loss contingencies relating to legal matters that should be recorded in the agency's general ledger and/or disclosed in the notes to the financial statements and instruct the service provider to record these entries and/or	10/24/2023	Open	CFO	Implemented

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			disclose these amounts, as appropriate *(Repeat finding from 2019 Financial Statement Audit)*.				
5	FY2020 Financial Statement Audit	CFO-2020-06	Continue to implement management's corrective action plan, including the filling of vacant positions.	10/24/2023	Open	CFO	Implemented
6	FY2020 Financial Statement Audit	CFO-2020-12	The Commission should continue to implement the actions identified in its corrective action plan relating to employee payroll and benefits, dated September 30, 2020.	10/24/2023	Open	CFO	CAP in place
7	FY2020 Financial Statement Audit	CFO-2020-19	The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should work with the service provider to identify, at least quarterly, upward adjustments that have been	10/24/2023	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			offset by downward adjustments in the general ledger so that manual adjustments can be recorded to properly state the ending balances of both accounts.				
8	FY2020 Financial Statement Audit	CFO-2020-20	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.	10/24/2023	Open	CFO	CAP in place
9	FY2020 Financial Statement Audit	CFO-2020-21	The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should independently verify the amounts recorded for reimbursable activity by its	12/31/2022	Open	CFO	Implemented

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			shared service provider or participate in the calculation of the recorded amounts.				
10	FY2020 Financial Statement Audit	CFO-2020-22	The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should develop a procedure to identify accrued liabilities for reimbursable expenses which should also be recorded as accrued accounts receivable.	12/31/2022	Open	CFO	Implemented
11	FY2020 Financial Statement Audit	CFO-2020-23	Commission management should develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger that are required by generally accepted accounting principles.	10/24/2023	Open	CFO	Implemented

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
12	FY2021 Financial Statement Audit	CFO-2021-01	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.	10/24/2023	Open	CFO	CAP in place
13	FY2021 Financial Statement Audit	CFO-2021-02	Review the posting logic that was applied within Pegasys for each correcting entry and record reclassification journal entries in the general ledger using the appropriate general ledger accounts for the correction of errors, in accordance with generally accepted accounting principles.	10/24/2023	Open	CFO	CAP in place
14	FY2021 Financial Statement Audit	CFO-2021-03	Develop a procedure to validate the agency's beginning balances that are rolled forward from the prior	10/24/2023	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			year to ensure that valid balances are not eliminated either before or during the closing process.				
15	FY2021 Financial Statement Audit	CFO-2021-04	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.	10/24/2023	Open	CFO	CAP in place
16	FY2021 Financial Statement Audit	CFO-2021-05	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.	12/31/2022	Open	CFO	CAP in place
17	FY2021 Financial Statement Audit	CFO-2021-06	Increase the precision of existing checklists and variance analysis tools so that changes from known	10/24/2023	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			and expected results can be detected and corrected.				
18	FY2021 Financial Statement Audit	CFO-2021-07	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.	10/24/2023	Open	CFO	CAP in place
19	FY2021 Financial Statement Audit	CFO-2021-08	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.	10/24/2023	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
20	FY2021 Financial Statement Audit	CFO-2021-09	The Commission should correct and then regularly update a detailed listing of the assets that are reported in the agency's trial balance and financial statements to enable the agency to verify the capitalized property balances reported in the agency's financial statements are correct and are reported in accordance with generally accepted accounting principles.	12/31/2022	Open	CFO	CAP in place
21	FY2021 Financial Statement Audit	CFO-2021-10	The Commission should regularly assess all capitalized property for assets that are no longer in service or to which the agency no longer has legal rights and ensure that these items are removed timely and proactively by Commission management.	12/31/2022	Open	CFO	CAP in place
22	FY2021 Financial Statement Audit	CFO-2021-11	The Commission should accumulate all expenditures for the leasehold improvements for its new lease, report them as	12/31/2022	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			construction in progress, and adjust the balance at the end of each reporting period to reflect the work completed until the project is completed.				
23	FY2021 Financial Statement Audit	CFO-2021-12	The Commission should ensure that the date of service is entered into the Pegasys property module so that depreciation is properly calculated and recorded for all capitalized assets.	12/31/2022	Open	CFO	CAP in place
24	FY2021 Financial Statement Audit	CFO-2021-13	The Commission should update its financial reporting policies and procedures to include the recording of new capitalized purchases, disposals of capitalized property, and depreciation/amortization in accordance with generally accepted accounting principles.	12/31/2022	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
25	FY2021 Financial Statement Audit	CFO-2021-14 CFO-2019-01	Commission management should develop a procedure to review disbursements made early in the subsequent reporting period to identify items which should be included in its year-end accounts payable or develop an alternative procedure which appropriately estimates the amount of these liabilities at year-end *(Repeat finding from 2019 Financial Statement Audit)*.	12/31/2022	Open	CFO	CAP in place
26	FY2021 Financial Statement Audit	CFO-2021-15 CFO-2019-02	Commission management should independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts *(Repeat finding from 2019 Financial Statement Audit)*.	12/31/2022	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
27	FY2021 Financial Statement Audit	CFO-2021-16 CFO-2020-08	Commission management should develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger that are required by generally accepted accounting principles *(Repeat finding from 2019 and 2020 Financial Statement Audits)*.	10/24/2023	Open	CFO	Implemented
28	FY2021 Financial Statement Audit	CFO-2021-17 CFO-2019-03	Commission management should develop written policies and procedures that define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions *(Repeat finding from 2019 Financial Statement Audit)*.	12/31/2022	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
29	FY2021 Financial Statement Audit	CFO-2021-18 CFO-2020-09	The Chief Financial Officer or other personnel knowledgeable in accounting and finance should independently verify the amounts recorded for accrued liabilities and examine the entries that the service provider has recorded in its general ledger to ensure it agrees with the information the Commission has provided *(Repeat finding from 2020 Financial Statement Audit)*.	12/31/2022	Open	CFO	CAP in place
30	FY2021 Financial Statement Audit	CFO-2021-19	Commission management should enhance its existing policies and procedures to require a more thorough review of its year-end accounting entries to ensure that all required information pertaining to accrued liabilities has been received from all sources and has been recorded in the general ledger in accordance with generally accepted accounting principles.	12/31/2022	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
31	FY2021 Financial Statement Audit	CFO-2021-20 CFO-2020-10	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 *(Repeat finding from 2019 and 2020 Financial Statement Audits)*.	10/24/2023	Open	CFO	CAP in place
32	FY2021 Financial Statement Audit	CFO-2021-21 CFO-2020-11	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 *(Repeat finding from 2020 Financial Statement Audit)*.	10/24/2023	Open	CFO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
33	FY2021 Financial Statement Audit	CFO-2021-22	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.	10/24/2023	Open	CFO	CAP in place
34	FY2021 Financial Statement Audit	CFO-2021-23 CFO-2020-17	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 *(Repeat finding from 2020 Financial Statement Audit)*.	10/24/2023	Open	CFO	CAP in place
35	FY2020 FISMA	CIO-2020-01	The Commission should follow their vulnerability remediation policies.	12/31/2022	Open	CIO	CAP in place
36	FY2021 FISMA	CIO-2021-01 CIO-2020-02	Scanning should be run on a monthly basis, however if there are medium, high and/or critical vulnerabilities, then they should be remediated, and the scan should be repeated	12/31/2022	Open	CIO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			and run again *(Repeat finding from 2020 FISMA Audit)*.				
37	FY2021 FISMA	CIO-2021-02	Update the configuration settings on the servers to be in compliance with Commission IT Policy and ensure only essential capabilities are being provided.	12/31/2022	Open	CIO	Implemented
38	Program Fee	PMO-2020-01	We recommend the Commission require the Commission Staff to develop and implement effective policy and procedures on the Program Fee Ceiling criteria and methodology for determining the fee ceiling on the CNAs including aligning legacy and draft policy with the criteria in the Cooperative Agreements.	9/30/2023	Open	PMO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
39	Program Fee	PMO-2020-02	The Commission should follow GAO 14-704G, Standards for Internal Control in the Federal Government, Principles 10-15. The principles will assist the Commission to develop, design, and implement timely guidance that is supported by quality information.	9/30/2023	Open	PMO	CAP in place
40	Program Fee	PMO-2020-04	In order to support and inform decision-making processes and ensure effective and greater communication and reporting on the analysis being completed, the Commission should review and analyze the Fee and Expenditure Reports and other materials received from the CNAs for opportunities to use a variety of analytical, research, and evaluation methods.	9/30/2023	Open	PMO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
41	Cooperative Agreement Audit	PMO-2020-05	We recommend the Commission implement better practices for the QASP process that includes additions to the QASP plan or a separate procedure that outlines how the QASP and KPI measurements are developed and the basis for measurements.	9/30/2023	Open	PMO	CAP in place
42	Cooperative Agreement Audit	OCD-2020-07	We recommend the Commission to ensure the Commission's Agreements are harmonized with compliance enforcement protocol to ensure they are capable of meeting the regulatory requirements of the Agreements by the Commission and CNAs	9/30/2023	Open	OCD	CAP in place
43	Cooperative Agreement Audit	PMO-2020-09	We recommend the Commission to review and analyze the Fee and Expenditure Reports and other materials received from the CNAs for opportunities to use a variety of analytical, research, and evaluation methods to	9/30/2023	Open	PMO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			support an informed decision-making process				
44	Cooperative Agreement Audit	PMO-2020-10	We recommend the Commission to ensure that responses to follow up questions from CNAs have been addressed and included in the reports prior to sending the Fee and Expenditure Reports to Congress	9/30/2023	Open	PMO	CAP in place
45	Cooperative Agreement Audit	BOP-2020-11	We recommend the Commission to ensure the CNAs have access to clear and complete guidance to follow when responding to Commission requests, enforcing the Commission's regulatory requirements and meeting the requirements of the Agreements.	9/30/2023	Open	BOP	CAP in place
46	Audit of Project Assignment and Allocation of Orders	BOP-2021-02	Update policy 51.301 to include clarifying the meaning of equitable and transparent distributions, consistent with Standards for	9/30/2023	Open	BOP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			Internal Controls in the Federal Government and prior GAO recommendations.				
47	Audit of Project Assignment and Allocation of Orders	BOP-2021-03	Review and address the outstanding issues identified during the Commission's 2017 review to ensure NIB's project assignment policy aligns with Commission policy 51.301.	6/30/2023	Open	BOP	CAP in place
48	Audit of Project Assignment and Allocation of Orders	BOP-2021-04	Ensure that NIB completes its order allocation policy and provide sufficient guidance to NIB to ensure that this policy aligns with Commission policy 51.301.	6/30/2023	Open	BOP	CAP in place
49	Audit of Project Assignment and Allocation of Orders	BOP-2021-05	Require the CNAs to include specific criteria for considering the size of NPAs in their recommendation decisions. As part of this, develop metrics for assessing the CNAs on the equitable distribution of projects and monitor progress on an annual basis, consistent with the Standards for Internal	6/30/2023	Open	BOP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			Controls in the Federal Government.				
50	Audit of Project Assignment and Allocation of Orders	BOP-2021-06	Conduct a study to determine whether a different mix of different sized NPAs could help increase the number of people employed through the program and their total work hours.	6/30/2023	Open	BOP	CAP in place
51	Audit of Project Assignment and Allocation of Orders	BOP-2021-07	Identify metrics for assessing transparency and monitor progress on annual basis, consistent with the Standards for Internal Controls in the Federal Government.	6/30/2023	Open	BOP	CAP in place
52	Audit of Procurement List Addition Process	BOP-2021-08	Develop a systematic approach to reviewing and updating policies and procedures every five years as needed in accordance with policy 51.101 including documentation of the review	6/30/2023	Open	BOP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			performed, whether updates are needed, and the prioritization of identified updates.				
53	Audit of Procurement List Addition Process	BOP-2021-09	Update D&F policy 51.207 to improve transparency by clearly stating its use, purpose, and implementation including how D&F authority delegated to designated Commission staff is required to be approved by Commission members, documented, and periodically updated.	6/30/2023	Open	BOP	CAP in place
54	Audit of Procurement List Addition Process	BOP-2021-10	Review and evaluate the D&F thresholds, and the eight (8) other criteria for assessing whether using D&F approval authority is appropriate, in determining whether the risk tolerance for the volume of D&F approvals is at an acceptable level.	6/30/2023	Open	BOP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
55	Audit of Procurement List Addition Process	BOP-2021-11	Monitor the annual use of D&F authority to include restarting the regular reporting to Commission members about the use of this authority.	6/30/2023	Open	BOP	CAP in place
56	Audit of Procurement List Addition Process	BOP-2021-12	Develop comprehensive written documentation of the procedures performed by Commission staff for reviewing and evaluating PL additions including the approval process under D&F authority.	6/30/2023	Open	BOP	CAP in place
57	Audit of Procurement List Addition Process	CIO-2021-13	Complete in a timely manner the implementation to update the middleware software to facilitate the upgrades of the outdated vendor software and implement system patches or security updates as warranted.	12/31/2022	Open	CIO	CAP in place
58	Audit of Procurement List Addition Process	CIO-2021-14	Update the Commission’s contingency plan to include an offsite or alternative	12/31/2022	Open	CIO	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			recovery location for PLIMS in the event of a natural disaster or catastrophic incident.				
59	Audit of Procurement List Addition Process	BOP-2021-15	Review existing enhancements to PLIMS and determine any other enhancements needed to improve the PL additions process. The review should include documenting these processes, prioritizing enhancements, and establishing a timeline for implementation.	12/30/2022	Open	BOP	CAP in place
60	Audit of Procurement List Addition Process	BOP-2021-16	Review the process for extracting and tabulating data to assess the CNAs' performance including new PLIMS data fields and standard reports. The review should include documenting these processes, prioritizing enhancements, and establishing a timeline for implementation.	6/30/2023	Open	BOP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
61	Audit of Procurement List Addition Process	BOP-2021-17	Evaluate the security and functionality of PLIMS after enhancements are completed and determine whether the upgraded version of PLIMS addresses the Commission's needs or should be replaced.	6/30/2024	Open	BOP	CAP in place
62	Audit of Procurement List Addition Process	BOP-2021-18	Establish and document a process to ensure final PLIMS data files and other calculations supporting the metrics in assessing and reporting the CNAs' performance on PL additions and other PL transactions are maintained in a centralized location; and all assumptions, adjustments, and decisions made to adjust CNA final metric ratings based on the calculated results are documented.	6/30/2024	Open	BOP	CAP in place
63	Audit of Procurement List Addition Process	BOP-2021-19	Establish and document a process to evaluate the PLIMS information for new metrics prior to including the new metrics in the CNAs' QASPs.	6/30/2024	Open	BOP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
64	Audit of Procurement List Addition Process	BOP-2021-20	Identify metrics for assessing the efficiency and effectiveness of the PL additions process and monitor progress on an annual basis. This should include tracking approval rates for PL additions separately as well as end-to-end cycle times for completing a PL addition for products and services under full Commission voting process and D&F authority.	6/30/2023	Open	BOP	CAP in Place
65	FY 2021 DATA Act	OCP-2022-01	Design and implement a review process of its DATA Act File submissions and source documentation to ensure information is accurate. Specifically, we recommend that the Commission review submissions performed by USDA on behalf of the Commission.	10/17/2022	Open	OCP	CAP in place
66	FY 2021 DATA Act	OCP-2022-02	Design and implement policies and procedures that require the agency to complete the CAR in FPDS	10/17/2022	Open	OCP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			within three (3) business days after an award is issued.				
67	FY 2021 DATA Act	OCP-2022-03	Design and implement policies and procedures that require the agency to ensure its monthly submissions to the Broker are completed before the required deadlines established by Treasury.	10/17/2022	Open	OCP	CAP in place
68	FY 2021 DATA Act	OCP-2022-04	RMA recommends that the Commission work with USDA to establish roles and responsibilities regarding its DATA Act reconciliation process. Additionally, it should update their policies and procedures to include a requirement for reconciliations of Broker errors/warnings to be documented. To increase the likelihood of errors/warnings from existing in the agency's file submissions, the Commission should also design, implement, and document the following	10/17/2022	Open	OCP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			review processes: • Review all DATA Act file submissions to verify that data reported matches their authoritative source; • Review DATA Act files A through F to provide reasonable assurance that their alignment is valid and reliable; and • Review object class data to ensure they are reporting object class codes in accordance with OMB guidance.				

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
69	FY 2021 DATA Act	OCP-2022-05	Work with USDA to revise its quarterly DATA Act reporting assurance statement template to include requirements of OMB M-18-16. In order to comply with OMB M-18-16, we recommend the Commission develop a DQP that covers significant milestones and major decisions pertaining to: • Organizational structure and key processes governing internal controls for spending reporting; • Testing plan and identification of high-risk reported data; and • Actions taken to manage identified risks. To assist in the development of a DQP that complies with OMB M-18-16, we recommend that the Commission refer to the Data Quality Playbook (dated November 30, 2018)	10/17/2022	Open	OCP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			formulated by the Leveraging Data as a Strategic Asset Working Group. This document contains DQP outlines with processes and methodologies.				
70	FY 2021 DATA Act	OCP-2022-06	Work with USDA to update its IAA, SOW, and develop a DQP to discretely outline the roles and responsibilities associated with the DATA Act of each agency. These roles and responsibilities should establish the responsible personnel for DATA Act file preparation,	12/31/2022	Open	OCP	CAP in place

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Target Completion Date (Per Agency)	Current Status	Responsible Office1	Open Sub-Status
			submission, reconciliation, and certification processes.				

AbilityOne Commission - Office of Inspector General (OIG)
Quarterly Audit Recommendation Status Report
As of September 30, 2022

Table 2: Closed during the 4th Quarter, FY2022

Sequential No.	Report Short Name	Recommendation Number	Recommendation	Close Date	Current Status	Responsible Office[1]
1	Cooperative Agreement Audit	PMO-2020-08	We recommend the Commission review and assess the requirements of the deliverables listed in Section G, attachment 1 of the Agreements, to determine if there are opportunities to reduce the volume and enhance the preparation effectiveness	9/30/2022	Closed	PMO

[1] Legend for Responsible Office is as follows:
PMO – Director of the Program Management Office

Appendix 1

U.S. AbilityOne Commission
FY 2022-2026 Strategic Plan
Performance Measures

The initial implementation of performance measures will be in FY2023.

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	FY 2023 PLANNED	FY2023 ACTUAL
Strategic Objective I: Transform the AbilityOne Program to Expand Competitive Integrated Employment (CIE) for People Who Are Blind or Have Significant Disabilities.	**Performance Measure 1**: 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.	In Process	
	Performance Measure 2: The Commission has reached consensus with its fellow government agencies on a legislative proposal to amend the JWOD Act.	In Process	
Strategic Objective II: Identify, Publicize, and Support the Increase of Good Jobs and Optimal Jobs in the AbilityOne Program.	**Performance Measure 1:** The Commission has finalized the rule prohibiting an NPA's payment of subminimum or sub-prevailing wages to any employee on an AbilityOne contract to be qualified for participation in the Program.	Completed July 21, 2022	
	Performance Measure 2: The Commission has issued a Request for Information (RFI) in order to identify good jobs and optimal jobs in the AbilityOne Program.	In Process	

	Performance Measure 3: The Commission has widely disseminated to the AbilityOne community examples of good jobs and optimal jobs.	In Process	
	Performance Measure 4: 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.	In Process	
	Performance Measure 5: 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.	In Process	
	Performance Measure 6: 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.	In Process	
	Performance Measure 7: 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.	In Process	

	Performance Measure 8: 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.	In Process	
Strategic Objective III: Ensure Effective Governance and Results Across the AbilityOne Program.	**Performance Measure 1:** The Commission has used the ERM system to identify risks and has established and tracked corrective action milestones.	In Process	
	Performance Measure 2: The Commission has developed a state-of-the-art IT infrastructure that meets the needs of the AbilityOne Program.	In Process	
	Performance Measure 3: The Commission has drafted and implemented a revised Annual Representations & Certifications data collection form.	In Process	
	Performance Measure 4: The Commission has implemented a system for CNAs and NPAs to share data more effectively with the Commission.	In Process	
	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.	In Process	

	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.	In Process	
	Performance Measure 7: The Commission has updated the Cooperative Agreements with the CNAs to reflect the new strategic direction of the Program.	In Process	
	Performance Measure 8: 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	
	Performance Measure 9: The Commission has deployed its Affirmative Action Plan to increase the candidate pool and hiring of individuals with disabilities.	In Process	
	Performance Measure 10: The Commission has made the necessary regulatory changes to allow competition that takes into account pricing considerations.	In Process	

	Performance Measure 11: 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	
	Performance Measure 12: 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	
	Performance Measure 13: The Commission has improved coordination between the CNAs, the Commission, and the Federal customer to obtain up-to-date metrics for contract performance.	In Process	
Strategic Objective IV: Engage in Partnerships to Increase Employment for People Who Are Blind or Have Significant Disabilities Within and Beyond the AbilityOne Program.	**Performance Measure 1:** 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.	In Process	
	Performance Measure 2: The Commission has educated ABORs regarding the importance of creating good jobs and optimal jobs in the AbilityOne Program.	In Process	

	Performance Measure 3: 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.	In Process	
	Performance Measure 4: The Commission has demonstrated work with the 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.	In Process	
	Performance Measure 5: 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.	In Process	

Appendix 2

FY 2022 Procurement List Additions

Products and services added to the AbilityOne Procurement List in FY 2022 include (but are not necessarily limited to):

Products

- All-Weather Pens
- Battery, Non-Rechargeable
- Canister Wipes
- Carrot and Dip To Go Container, Includes Shipper
- Celery and Dip to Go, Includes Shipper
- Combat Knife, Tanto Blade
- Cookie Sheet Set, 3-Piece
- Cutting Board, Includes Shipper
- Disinfecting Wipes
- Durafresh Cleaning Cloth
- Egg Scrambler, Includes Shipper
- Emergency Triangle Work Light, Includes Shipper
- Flashlight, Includes Shipper
- Grapes Keeper, Includes Shipper
- Headlamp, Includes Shipper
- Ice Ball Tray, Includes Shipper
- Ice Cream Bowl, Includes Shipper
- Impact Control Gloves
- Lens Cleaning Stations
- Lint Roller and Refill

- Marvel Toys, Includes Shipper
- Meat Baller, Includes Shipper
- Mini Garden Colander, Includes Shipper
- Mushroom Saver, Includes Shipper
- Olive Keeper, Includes Shipper
- Onion Saver, Includes Shipper
- Pantry Basket, Includes Shipper
- Party Popper Cake Topper, Includes Shipper
- Personal Sanitizing Kit
- Pet Collar
- Pig Out Cargo Shipper
- Pizza Crisper
- Pizza Slicer and Server, Includes Shipper
- Popcorn Saver Shipper
- Portable Laptop Monitor
- Power Duster
- Prep bowl, 3-Piece, Includes Shipper
- Pro-Grade Tool Kits, 6- and 14-Piece
- Rain Gear
- Riffler Set
- Sunglasses
- Super Sifter Shipper
- Tablecloth 3-Pack
- Toy, Pet Squeaky
- Twin Juicer, Includes Shipper
- USAF Retirement Award Binder
- Wastewater Treatment Products

- Wing Corkscrew and Double Waiters Corkscrew
- Work Light, Includes Shipper

Services

- Acquisition Support Services, USCG SFLC, Baltimore, MD; Norfolk, VA; & Oakland, CA, U.S. Coast Guard
- Base Supply Center, Hanscom Air Force Base, Dept. of the Air Force
- Contractor Operated Supply Store, Beale Air Force Base, Dept. of the Air Force
- Custodial, Pacific NW Juneau Forestry Sciences Lab, Juneau, AK, Forest Service
- Custodial, Recycling & Snow Removal Services, Theodore Roosevelt Building, Washington, D.C., Office of Personnel Management
- Custodial and Related Services, GSA Reg 4, Carroll A. Campbell Courthouse, Greenville, SC, Public Buildings Service
- Custodial Service, Multiple Locations, Key West, FL, Federal Aviation Administration
- Custodial Service, Wilkes-Barre/Scranton IAP ATCT and Base Bldg., Dupont, PA, Federal Aviation Administration
- DCMA Section 508 Compliance Support, Defense Information Systems Agency, Dept. of Defense
- Document Destruction, Federal Investigative Records Enterprise Operations, Boyers, PA, Defense Counterintelligence and Security Service
- Facility Operations Contract Services, Border Patrol Station, Oroville, WA, U.S. Customs and Border Protection
- Facility Support Services, National Capital Region Office HQ, Washington, D.C., National Park Service
- Facility Support Services, NAVFAC MIDLANT, DFAS Command Bldg., Bratenahl, OH, Dept. of the Navy
- Grounds Maintenance, Houston, TX, Federal Aviation Administration
- Immigrant Visa & A-Number Validation Processing, Corbin, KY, U.S. Citizenship and Immigration Services
- Integrated Logistics Support Services, Baltimore, MD, U.S. Coast Guard

- Janitorial, Trash, and Weed Removal Services, BLM, Upham & I-25 Parking Sites, Las Cruces, NM, Bureau of Land Management
- Kennel Caretaker Service, U.S. Border Patrol-Ramey Sector, Aguadilla, PR, U.S. Customs and Border Protection
- Plant Maintenance, Minton-Capehart & Bean Federal Buildings, Indianapolis, IN, Public Buildings Service
- Plant Maintenance Services, GSA PBS Region 5, Paul Findley Federal Building, Springfield, IL, Public Buildings Service
- Storage, Management and Fulfillment of PPE Safety Stock, Office of Procurement Operations, Dept. of Homeland Security
- Secure Document Destruction, Albuquerque Indian Health Service, Santa Fe, NM, Dept. of Health and Human Services

NOTES

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[1] For recent data see Department of Labor, Bureau of Labor Statistics, "Persons with a Disability: Labor Force Characteristics – 2021" https://www.bls.gov/news.release/pdf/disabl.pdf (retrieved August 17, 2022). See also Department of Labor, Office of Disability Employment Policy, Disability Employment Statistics https://www.dol.gov/agencies/odep/research-evaluation/statistics (retrieved October 17, 2022).

[2] Most data contained in this document is from FY 2021, due to the timing of AbilityOne Program reporting cycles. Where possible, FY 2022 data will be highlighted.

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

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

[5] 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.

[6] "AbilityOne Flexibilities Related to the Coronavirus (COVID-19) Emergency and Recovery for the Duration of Fiscal Year 2022" and earlier memos on the COVID-19 page of the Commission's website.

[7] Program Fees are paid in accordance with the collection authority established at 41 C.F.R. 51-3.5.

[8] The Program Fee is a fee that Commission-designated CNAs are authorized by Commission regulation and their Cooperative Agreements to collect from authorized NPAs to facilitate the NPAs' participation in the AbilityOne Program.

[9] 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".

[10] The agency's Equity Action Plan references this increased public engagement.

[11] The agency's Equity Action Plan includes agency actions related to the Office of Federal Procurement Policy (OFPP) memorandum on "Increasing the Participation of Americans with Disabilities in Federal Contracting." The plan was submitted to OMB on January 20, 2022.