

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

## FISCAL YEAR 2019 BUDGET JUSTIFICATION



An independent Federal Agency responsible for administering the Javits-Wagner-O'Day Act (41 U.S.C. §§8501-8506) and the AbilityOne Program

*Operating as the U.S. AbilityOne Commission*



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Dear Member of Congress,

On behalf of the U.S. AbilityOne Commission, I am pleased to submit the Commission's fiscal year (FY) 2019 budget justification for \$8,650,000, including not less than \$1,400,000 for the Office of Inspector General (OIG). Respectively, these amounts represent budget increases of 3% for Agency operations and 40% for the OIG compared to the last enacted budget in FY 2017.

In my transmittal letters accompanying the Commission OIG semiannual reports to Congress, I have consistently emphasized that the single greatest threat to the Agency is inadequate funding. For nearly a decade, the Commission has requested budget increases to stave off the impact of more than 100% growth in Agency mission, program size and oversight responsibility.

The Commission is responsible for contract award and oversight of more than \$3.3 billion in products and services delivered to the federal government. As a result, approximately 45,000 Americans who are blind or have significant disabilities have job opportunities and experience the dignity of work as intended by the Javits-Wagner-O'Day Act.

The amount requested in the Commission's FY 2019 budget justification represents a negligible increase to minimally continue the Agency's operational mission and that of the newly established OIG. Operationally and strategically, there is an imperative to fund the Commission based on the magnitude of the program and the "at-large" needs of the government and local communities to simultaneously decrease unemployment among people who are blind or have significant disabilities while reducing collateral federal and state costs incurred as a result of that unemployment.

People who are blind or have significant disabilities have the highest level of unemployment and lowest level of labor force participation compared to any other segment of American society, across all age groups, and at all levels of education. More than 80% are outside the workforce.

The Commission's mission is to create and maintain employment for this underutilized population. Through the AbilityOne Program, these individuals have jobs, earn income, pay taxes, contribute to their communities, and provide valuable products and services as part of our nation's industrial base.

Today the Commission is experiencing an unprecedented imbalance between its resources and a historic increase in mission requirements – specifically, a significant disparity between the Agency's legacy of limited resources and responsibility for overseeing the employment of people who are blind or have significant disabilities in hundreds of counties and districts. Contributing to this disparity has been a recent and sharp rise in Congressional and federal requirements to transform the Commission's oversight and capability.

The Commission is strengthening oversight of the AbilityOne Program. For example, the Commission proactively sought, and Congress effected, critical program changes in the Consolidated Appropriations Act, 2016. This legislation required Cooperative Agreements with the designated Central Nonprofit Agencies – National Industries for the Blind (NIB) and SourceAmerica. As a result, the fees collected by the Central Nonprofit Agencies for their assistance in administering the AbilityOne Program are now directly linked to employment growth and other key performance indicators. Consistent with the Commission’s request and supporting business case, the Consolidated Appropriations Act, 2016 also established an OIG. There is a direct correlation between these agreements, establishing the OIG and the transformation of the AbilityOne Program.

Continuing the imperative to transform, Congress supported the Commission’s request for a Panel on Department of Defense and AbilityOne Contracting Oversight, Integrity and Accountability in the 2017 National Defense Authorization Act (NDAA). This panel is responsible for recommendations in seven (7) critical areas of Congressional interest. The panel’s first report to Congress is due in March 2018.

The Commission greatly appreciates the Congressional legislation to continue meeting this intent. To fully implement historic legislation that transforms the Commission’s ability to execute its mission, there is an equal imperative to change the Commission’s capacity to do the same.

I have voiced my strong support for OIG budget increases in numerous meetings and communications with Congressional committees. That said, I also strongly advocate for proportional increases in the Agency budget to enable the Commission to keep pace with the mounting number of requirements and concomitant increases in activity between the Agency and the OIG.

Moreover, I believe that appropriations for the Commission should be based on the size and scope of the AbilityOne Program, not the current size of the Agency budget or staff. There is no arguable correlation between the current budget and the current mission.

This FY 2019 budget justification is minimally sufficient. As the timeframe for the FY 2020 budget approaches, and with it recommendations from the NDAA Panel on Department of Defense and AbilityOne Contracting Oversight, Integrity and Accountability, I urge your utmost attention to funding that realigns our mission and budget.

Sincerely,

*James M. Kesteloot*

James M. Kesteloot  
Chairperson

## Introduction

Approximately 45,000 Americans who are blind or have significant disabilities rely on the AbilityOne Program to provide job opportunities. The \$8,650,000 requested in the U.S. AbilityOne Commission's<sup>1</sup> (Commission) FY 2019 budget justification, including not less than \$1,400,000 for the Office of Inspector General (OIG), represents the minimum level of staffing and resources necessary to continue serving the current critical vocational needs of this disability community.

The Commission is comprised of 15 Presidential Appointees, and charged with implementing the Javits-Wagner-O'Day (JWOD) Act (41 U.S.C. §§ 8501-8506). An Agency staff of 27 full-time equivalents (FTEs) supports the Commission by handling day-to-day operations of the AbilityOne Program, which now exceeds \$3 billion in annual sales to the Government. Independent from the agency staff, the OIG employs five (5) FTEs, and is focused on establishing the infrastructure to make that office fully functional.

During FY 2017, the Commission focused on its proposed plan to reorganize in order to improve efficiency, effectiveness and accountability, as required by Executive Order 13781, Comprehensive Plan for Reorganizing the Executive Branch. In FY 2019, the Commission will seek opportunities to reprogram existing resources in a manner that focuses on the Commission's top priorities – job growth, strong oversight, analysis, and policy guidance. The Commission will continue to recalibrate and identify necessary investments both for the FY 2020 budget request and the out-years. These important steps will help to continue the process of transforming and modernizing the AbilityOne Program.

Without question, however, the greatest risk to the integrity and effectiveness of the AbilityOne Program is a lack of capacity resulting from insufficient funding and staffing for the Commission, reflected in the following:

- 27 agency staff FTEs oversee \$3.3 billion in AbilityOne sales – with contract value of more than \$8 billion.
- Agency staff oversee approximately 550 nonprofit agencies across 15 time zones from Guam to Maine, providing tens of thousands of staff at federal agencies and nonprofit agencies with guidance on policies and regulations about operating the Program.
- Agency staff oversee Central Nonprofit Agencies whose combined revenues and number of staff are approximately 20 times larger than the agency appropriation and FTEs, respectively, based on FY 2017 data.
- The FY 2017 budget was the first substantive increase in this decade (not counting the FY 2016 OIG appropriation of \$750,000).

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<sup>1</sup> The statutory name of the Agency is the Committee for Purchase From People Who Are Blind or Severely Disabled. The operating name for the Committee is the U.S. AbilityOne Commission.

The Commission must have adequate resources to meet mission-critical requirements, and to maintain and accelerate the momentum toward strengthening oversight of the Program. Increased resources are essential for the Commission to successfully respond to rapidly growing demands resulting from recent major increases in Congressional requirements for the Commission to exercise stronger oversight of the Program.

The Commission is gravely concerned that lack of funding jeopardizes its mission and the ability to meet Congressional, public sector (e.g., federal agencies) and private sector (e.g., disability community and nonprofit agencies) requirements for the Commission to exercise stronger oversight of the Program.

Congressional requirements to effect needed change, coupled with the increasingly complex operating environment, are widening a gap in staff capacity that no amount of effort can close. This is reflected in the following:

- Extensive Commission staff resources are required for the FY 2017 National Defense Authorization Act Section 898 “Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity; Defense Acquisition University Training.” The panel’s duties are required through at least FY 2020. The Commission is required to annually implement panel recommendations which address issues ranging from waste, fraud and abuse to business practices to veterans’ employment.
- To enable greater oversight and accountability, in FY 2017 Congress recognized the necessity for field offices. As such, the Commission was directed to establish the first field office to oversee the western areas of the United States. The Western U.S. Field Office is responsible for 14 States and Guam, 118 Nonprofit Agencies, and \$622,000,000 in AbilityOne Program sales (FY 2016 data). The Department of Defense has installations from every military service throughout this Western region.
- More frequent litigation challenging the Commission’s authorities through bid protests, appeals and enforcement mechanisms available under other federal programs as well as new regulations that impact the employment of people who are blind or have significant disabilities. Examples are:
  - The recent Court of Federal Claims decision in PDS Consultants, expanded the U.S. Supreme Court “Kingdomware” decision impacting thousands of AbilityOne jobs -- see *Kingdomware Technologies, Inc. v. United States*, 136 S. Ct. 1969 (2016). An appeal to the Circuit Court will be adjudicated over the next 9-12 months with the clear potential for further appeal to the Supreme Court. In FY17 and the early part of FY18, the agency was aware of four (4) other bid protests relying on Kingdomware to support the VA’s ability to prioritize its Rule of Two over the AbilityOne Commission’s mandatory priority. The Commission has two (2) attorneys to ensure legal sufficiency of actions in this \$3 billion dollar program.

- Veterans Administration “Rule of Two” regulations that threaten AbilityOne jobs for people who are blind or have significant disabilities – including jobs held by some of the approximately 7,000 veterans employed by AbilityOne nonprofit agencies.
- Regulations and guidance related to the Workplace Innovation and Opportunity Act that effectively sever a vital link between federal funding made available through state vocational rehabilitation services to people who are blind or have severe disabilities, and Commission qualified nonprofit agencies.

These are only a few of the facts demonstrating that the greatest risk to the integrity and effectiveness of the AbilityOne Program is a lack of capacity resulting from insufficient funding and staffing for the Commission.

As you review the Commission’s FY 2019 budget request, we ask that you also consider the following:

- Growing jobs for people with disabilities, and particularly for veterans, is both an Administration and a nonpartisan priority. The Commission and its nonprofit agencies have the experience and knowledge to effectively address this national priority.
- Veterans benefit from AbilityOne through numerous wounded warrior transition programs, training and employment provided by AbilityOne authorized providers and also in the community.
- AbilityOne returns dollars to the U.S. Treasury through:
  - The AbilityOne contract close-out initiative (more than \$1 billion identified for de-obligation since 2010).
  - Increased tax revenues from AbilityOne employees who are blind or have significant disabilities. In FY 2016, AbilityOne employees earned more than \$616 million in wages while gaining greater independence and experience.
- In 2013, the Government Accountability Office (GAO) Report 13-457 recommended stronger AbilityOne Program oversight by the Commission.
- In the Consolidated Appropriations Act, 2016, Congress mandated stronger AbilityOne Program oversight by the Commission through written CNA agreements and a new OIG.

FY 2019 is a transitional period for the Commission to assess and enhance the efficiency and effectiveness of the AbilityOne Program’s mission-critical processes to prepare and position the AbilityOne Program for the future.

## 1.0 Program and Budget Justification Summary

The Commission has a clear and important federal role in ensuring that taxpayer dollars are spent wisely. It also plays an important role in America's commitment to the employment needs of people who are blind or significantly disabled, including wounded warriors and other veterans with significant disabilities. The AbilityOne Program is the only federal employment program that creates and sustains job opportunities for people whose visual impairment or significant disabilities have precluded them from engaging in sustained competitive employment. The Program creates employment through federal agency purchases of products and services on the AbilityOne Procurement List. Approximately 45,000 people who are blind or significantly disabled were employed within the AbilityOne Program in FY 2016, including approximately 7,000 veterans.

Under the AbilityOne Program, people who are blind or significantly disabled are employed in the manufacture and delivery of products and services to the government. They produce a wide range of supplies, from military equipment and clothing to office products. AbilityOne employees also perform a wide range of services from administrative support and data entry to contact centers, recycling, warehousing and distribution.

The Commission is actively transforming the AbilityOne Program's policies, procedures and business practices to protect, preserve and increase these much-needed employment opportunities. This is critical to strengthen performance, evaluation and oversight. The Commission transformation incorporates GAO's recommendations as well as mandates of the Consolidated Appropriations Act, 2016.

The Commission's top three operational priorities to increase Program accountability are:

- Transforming agency oversight, accountability and integrity of AbilityOne nonprofits.
- Supporting the FY 2017 National Defense Authorization Act Section 898 Panel.
- Veteran employment initiatives and outreach to disabled veterans.

As a small federal entity, the Commission administers one statute and implements the AbilityOne Program. There are no other programs or funding streams to reduce or reprioritize to offset the cost of fulfilling new requirements. Numerous cost-avoidance and efficiency measures have been taken, and continue to be leveraged.

The Commission requests **\$8,650,000** as the minimal level of funding to accomplish its responsibilities and priorities, including \$1,400,000 for the continued establishment and staffing of the OIG.

This funding level is necessary to ensure the Agency's ability to effectively and efficiently respond to consistent calls from a wide spectrum of Congressional committees and government oversight agencies to immediately strengthen Program oversight.

Specifically, these efforts to advance oversight relate to meeting GAO and Congressional recommendations and mandates, notably:

- 2013 GAO report recommending stronger Commission oversight of the Program.
- Consolidated Appropriations Act, 2016 requirement that became the Cooperative Agreements with the CNAs.
- FY 2017 National Defense Authorization Act Section 898 Panel requirements for Agency participation.

In the Evidence and Evaluation section of this request, the Commission demonstrates that the AbilityOne Program successfully creates and sustains employment for our target population of people who are blind or have significant disabilities. These individuals earn income, receive promotions and may transition into competitive integrated employment.

The Commission’s request for funding in FY 2019 supports our country’s vision for growth and opportunity for a subset of the U.S. population that encounters the most barriers to full employment. In implementing its mission, the Commission continues to pursue four fundamental strategic goals – effective stewardship, job growth, employee and customer satisfaction, and operational excellence. The Commission has considered the policies, strategies, and resources necessary to administer the AbilityOne Program in accordance with Administration and Congressional priorities, our mission and core goals.

<b>Table 1: U.S. AbilityOne Commission Budget Request Summary (\$ Millions)</b>					
<b>Category:</b>	<b>FY 2015 Enacted</b>	<b>FY 2016 Enacted</b>	<b>FY 2017 Enacted</b>	<b>FY 2018 Request</b>	<b>FY 2019 Request</b>
<b>Personnel</b>	3.255	3.405	4.088	3.342	4.270
<b>Benefits</b>	0.826	0.858	1.099	0.855	1.167
<b>All Other</b>	1.281	1.178	1.813	1.170	1.813
<b>OIG</b>	N/A	0.750	1.000	0.750	1.400
<b>Total</b>	5.362	6.191	8.000	6.117	8.650

The FY 2019 proposed budget of \$8,650,000 reflects the minimum funding necessary for the Commission to perform its most mission-essential duties. The Commission is committed to revisiting and realigning its resources in accordance with the most pressing priorities facing the AbilityOne Program. In FY 2019, the Commission will continue to assess its needs in terms of organizational capacity, information technology, and the infrastructure to support mission-critical requirements. These assessments will inform and shape the Commission’s budget justification for FY 2020 and the out-years.

The Commission’s purpose and statutory duties requiring these resources can be summarized as:

- Increasing employment opportunities for people who are blind or have significant disabilities. (Job Creation)

- Establishing rules, regulations, policies and procedures to assure effective implementation of the Javits-Wagner-O'Day Act and AbilityOne Program. (Job Creation and Program Integrity)
- Monitoring compliance of Central Nonprofit Agencies and participating nonprofit agencies with the JWOD Act, Commission regulations and procedures. (Program Integrity)
- Determining which products and services procured by the federal government are suitable to be furnished by persons who are blind or have significant disabilities, and who are employed at qualified nonprofit agencies. (Job Creation)
- Determining and revising fair market prices for items procured by the federal government. (Job Creation)
- Informing federal agencies about employment of people who are blind or significantly disabled and the statutory mandate that items on the Procurement List be purchased from qualified nonprofit agencies employing this population. (Job Creation and Oversight)
- Encouraging and assisting entities of the federal government to identify additional products and services that can be provided by people who are blind or have significant disabilities. (Job Creation)

The Commission has no legislative proposals currently pending.

## **2.0 Legal Authority, Mission, Vision and Program Structure**

The Javits-Wagner-O'Day Act of 1971, codified at 41 U.S.C. §§8501-8506 and implemented through 41 CFR Chapter 51, establishes the legal authority for the Committee for Purchase From People Who Are Blind or Severely Disabled, which operates as the U.S. AbilityOne Commission. The Commission is an independent Executive Branch Agency, with exclusive responsibility for administering this statute and the AbilityOne Program, which is responsible for employing approximately 45,000 Americans who are blind or who have significant disabilities.

**The mission of the U.S. AbilityOne Commission and the AbilityOne Program is:**

**To provide employment opportunities for people who are blind or have significant disabilities in the manufacture and delivery of products and services to the federal government.**

**The vision of the AbilityOne Program is:**

**The AbilityOne Program enables all people who are blind or have significant disabilities to achieve their maximum employment potential.**

This vision will be realized when:

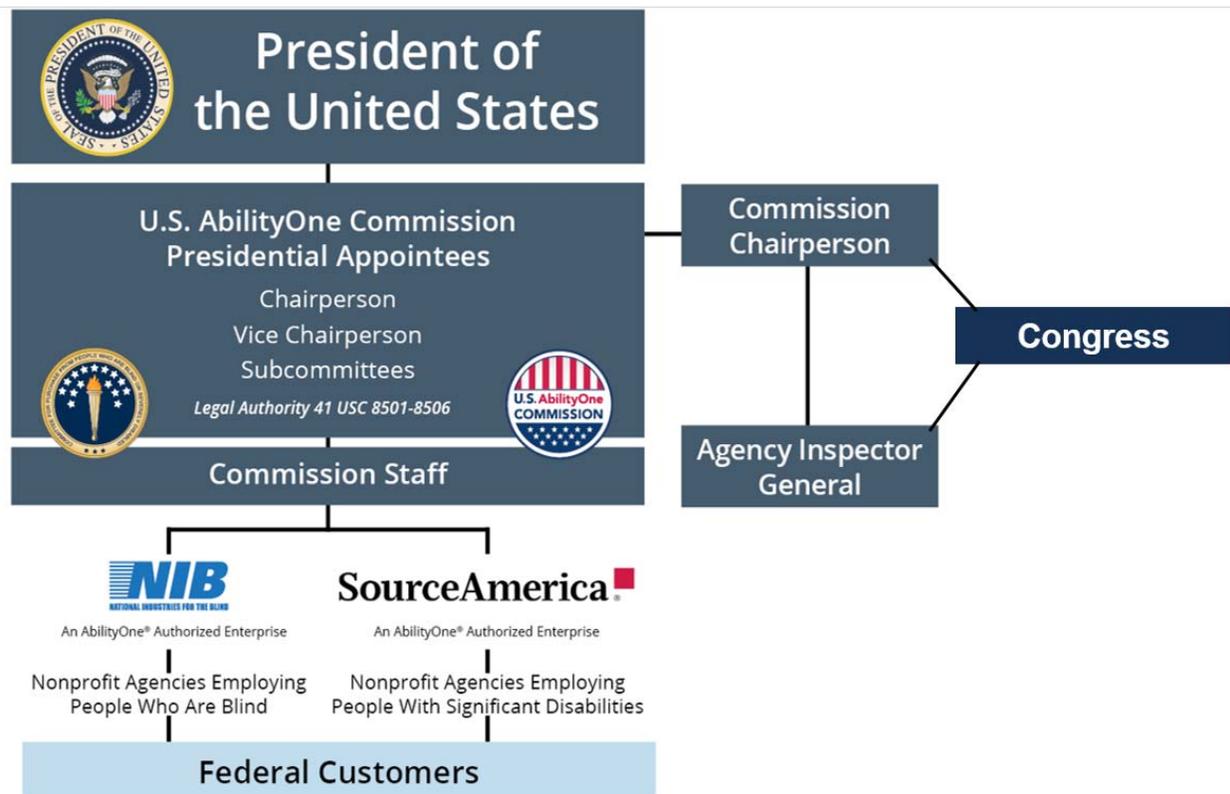
- Every person who is blind or significantly disabled and who wants to work is provided an opportunity to be employed productively.
- Every AbilityOne employee earns not only the federal minimum wage (or higher applicable state or local minimum wage) but also a living wage and benefits package appropriate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

The Commission is comprised of 15 Presidential appointees. Eleven members work for and represent other federal agencies. Four appointees are private citizens representing employment concerns of people who are blind or have significant disabilities. The Commission elects a Chairperson (Agency Head) and Vice Chairperson from the members.

A career member of the Senior Executive Service is the Agency's Executive Director and chief executive officer. The Executive Director leads a full-time civil service staff in performing the day-to-day activities necessary to administer the statute and the AbilityOne Program.

The Presidential appointees, supported by the Commission staff, formulate policy and make decisions regarding legal and administrative matters for the AbilityOne Program. By statute, the Commission members are responsible for additions to and deletions from the Procurement List of products and services delivered by authorized nonprofit agencies employing people who are blind or significantly disabled. After opportunities for public comment, and due deliberation, the Commission determines which items are suitable for the Procurement List and requires federal agencies with such requirements to procure them from the nonprofit agency(ies) designated by the Commission.

**Figure 1. AbilityOne Program Organization**



## 2.1 Comparisons Between the Commission and Central Nonprofit Agencies

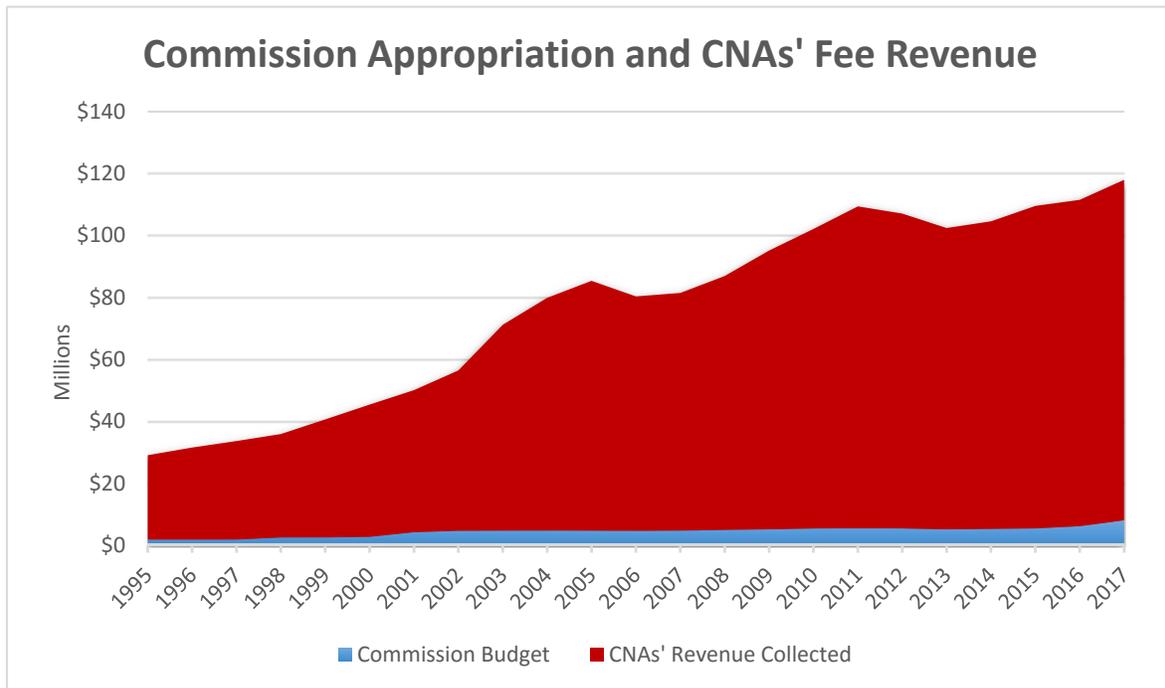
The Commission – not the CNAs – is responsible for protecting the government’s interests by performing critical and inherently governmental functions to ensure Program integrity. Inherently governmental functions include Program and CNA oversight and compliance, as well as Program-related decision-making for pricing and the Procurement List. Given AbilityOne Program sales growth, a continuing focus of the Commission is the adequacy of resources to perform these inherently governmental duties.

The CNAs are not government entities. They are private, nonprofit organizations that have been designated by the Commission to be CNAs for the purpose of allocating orders and providing other technical and financial assistance to approximately 550 nonprofit agencies that participate in the AbilityOne Program. The JWOD Act authorizes the Commission to designate CNAs to help administer the statute and AbilityOne Program. NIB and SourceAmerica were designated by the Commission to perform these duties.

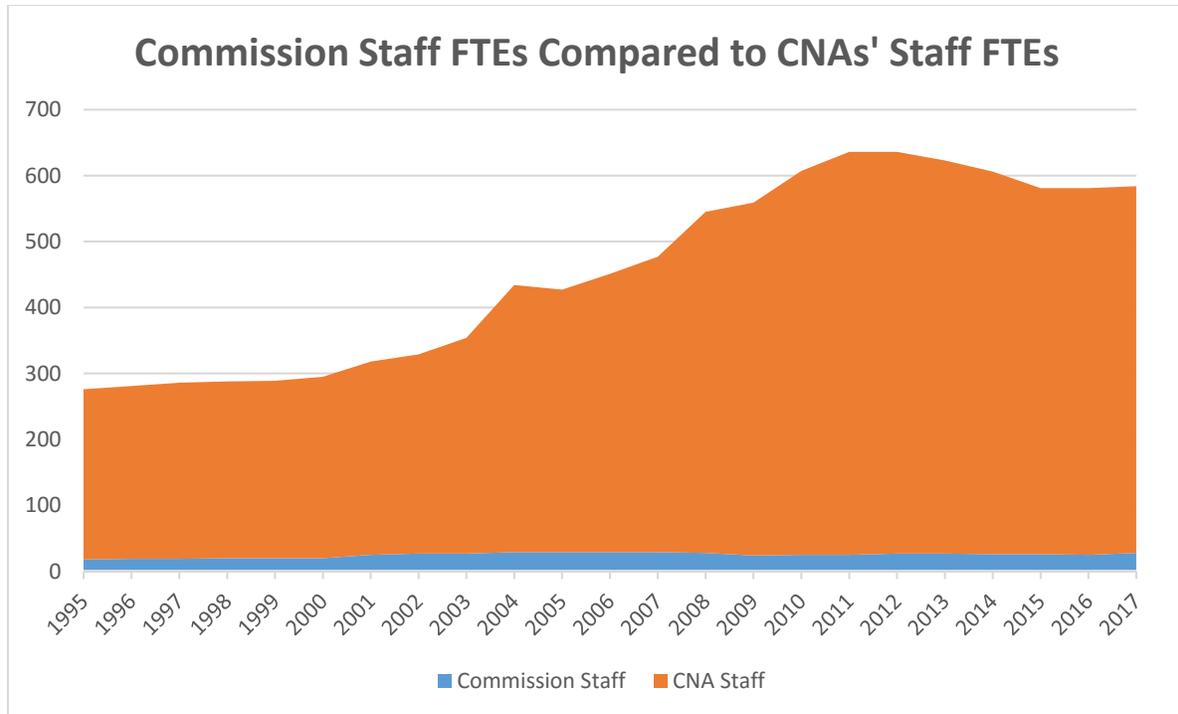
The CNAs’ combined revenues and staff were approximately 20 times larger than the Commission staff appropriation and FTEs, respectively, in FY 2017. Consequently, Congressional requirements and GAO recommendations for greater Commission oversight of the CNAs place significant demands on the Commission staff and further highlight the need for additional staff and funding.

Commission resources come solely from appropriations, while the CNAs’ AbilityOne-related revenue comes from a fee based on Program sales. For FY 2019, the Commission projects that CNA revenue will remain very near this level. Figure 2 and Figure 3 below illustrate these differences.

**Figure 2. Comparison of Commission Appropriation to CNAs’ Fee Revenue**



**Figure 3. Comparison of Commission Staff FTEs to CNAs' Staff FTEs**



As part of the requested increase in this FY 2019 budget justification, the Commission seeks additional resources for its Cooperative Agreement Program Management Office (PMO). Establishing Cooperative Agreements with the CNAs in 2016 was a critical step taken by the Commission to strengthen oversight and evaluate performance. The Commission used part of the FY 2017 increase to assist its Cooperative Agreement Program Manager, and continues to assess the level of resources required to fully implement and manage the Cooperative Agreements with the CNAs.

### 3.0 Analysis of Resources Requested

#### 3.1 Recommendations for Efficiency, Effectiveness and Mission-Related Investments

As the Commission administers one law -- the Javits-Wagner-O'Day Act -- and one program authorized by that statute, there is no programmatic overlap or duplication within the Commission. The Commission has one administrative office that manages resources and leverages shared services providers to achieve efficiencies. The Commission's finance and human resources requirements are processed by the U.S. Department of Agriculture (USDA) and the General Services Administration (GSA), respectively, on a reimbursable basis. The Commission uses Federal Strategic Sourcing Initiative (FSSI) contract vehicles and other strategic sourcing approaches to obtain products and services it needs at discount pricing.

From an external perspective, the Commission maintains awareness of other federal agencies' programs that provide employment assistance to people who are blind or have significant disabilities. Consistent with findings in GAO Report GAO-12-342SP, "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," the Commission finds that the AbilityOne Program is unique in creating and providing jobs for its target population through nonprofit agencies and the federal procurement system. Other federal programs provide policy, training, grants, placement services and/or other supports, but not direct employment, to people who are blind or have significant disabilities.

Since 2010, the Commission has identified and leveraged efficiencies and cost-avoidance measures. Consistent with the guidance in OMB Memorandum M-17-08, and its predecessor M-12-12, the Commission has achieved reductions in travel costs, particularly by using teleconferencing to minimize meeting-related travel. As recognized by M-17-08, there is still a need for mission-related travel to perform reviews or inspections as part of the Agency's oversight responsibilities. Conducting on-site compliance inspections remains necessary to thoroughly review and ensure the integrity of AbilityOne participating nonprofit agencies. The Commission's business practices, such as pre-inspection desktop reviews, optimize travel dollars for the inspection process. The Commission also considers risk factors and the period of time since its last review when determining its priorities for on-site compliance inspections.

Nearly all Commission employees participate in the Agency's telework program, which has reduced the Agency's costs for office space, supplies and public transportation subsidies. The Commission reduced its office footprint in FY 2015 and reprogrammed the savings. The Commission invested resources provided in its FY 2017 appropriation to assess its information technology infrastructure and identify necessary updates and business process improvements to increase overall operating efficiency. The results of this assessment will be evaluated in FY 2018 to inform proposed investments in future budget justifications.

A key Commission investment is a business case for a budget-neutral funding model such as a working capital fund that would reduce appropriated funds needed to effectively oversee and administer the AbilityOne Program. Research began in FY 2017, development is underway in FY 2018, and discussion of research results and business case analysis will follow.

### **3.2 Personnel Requirements**

To effectively execute its responsibilities and sustain the AbilityOne mission, the Commission must have adequate personnel. As of February 2018, the Agency's staffing level is 27 full-time equivalents (FTEs). Some overall Commission growth was realized in the establishment of the OIG and hiring of OIG key senior staff to build that organization from the ground up. The OIG currently has five (5) FTEs, two of which were added in FY 2017 when the permanent Inspector General and an administrative officer were hired.

The complexity of the AbilityOne Program's business environment and public scrutiny warrants a high level of expertise in positions across the Agency. The Commission staff must implement regulatory, policy and business process changes as a result of the Consolidated Appropriations Act, 2016. The Commission is also in the process of transforming existing policies and procedures to ensure consistent program administration.

As discussed below, the Agency's employees support the following core business areas: compliance, operations, program management and policy, as well as cross-cutting functions such as legal, administrative, communications and government affairs, information technology (IT) and resource management.

Oversight and Compliance: With hundreds of nonprofit agencies performing thousands of federal contracts across the AbilityOne enterprise, the Commission has identified compliance monitoring and inspecting as a top priority. AbilityOne Program sales of products and services exceeded \$3 billion in FY 2017. The Commission-designated nonprofit agency contractors must not only ensure AbilityOne-related compliance, they must also comply with numerous federal laws and regulations, and fully meet the government's quality and performance standards. The Compliance team issues policy guidance, conducts inspections, reviews annual certifications and conducts training for nonprofit agencies participating in the AbilityOne Program. The Compliance team is comprised of three (3) FTEs.

Business Operations: The operations team executes hundreds of transactions each year to maintain the Procurement List. Operations is the lifeblood of the AbilityOne Program because the products and services on the Procurement List create employment for the AbilityOne workforce. Updating products, service locations, prices and other elements of Procurement List requirements is critical. Each team member is essentially "one deep" in terms of expertise and responsibilities. The team handles new and existing products, new and existing services, pricing, information and records management, the Federal Register notice-and-comment process for Commission actions, and the authorization of commercial distributors. The Operations team is comprised of eight (8) FTEs.

Program Management Office: The Commission established a PMO to administer and implement the Cooperative Agreements established with the CNAs in FY 2016. Both CNAs established larger program offices to ensure quality performance of Cooperative Agreement requirements. The Commission launched its PMO at the end of FY 2016 with one (1) FTE and the assistance of certified acquisition professionals serving developmental assignments in the Commission's office. A deputy director was added in FY 2017, and a data analyst in FY 2018, for a total of three (3) FTEs in the PMO.

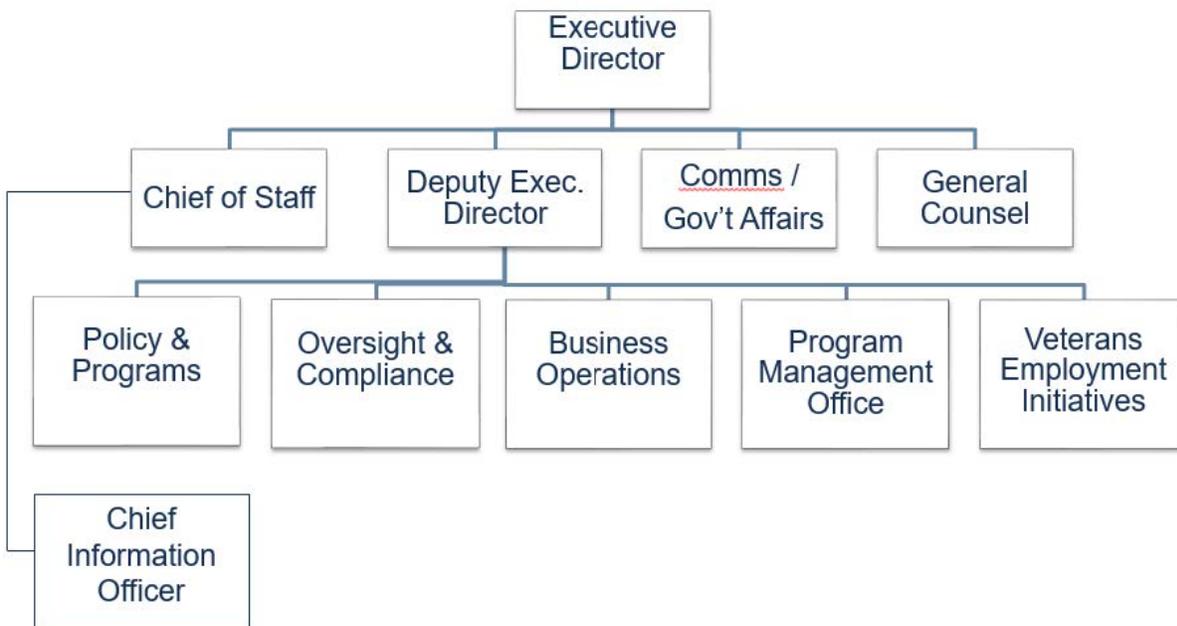
Policy and Programs: Developing and updating policy and procedures is a focal point for the Commission because strengthening program oversight requires identifying and disseminating rules and regulations to be followed. As the AbilityOne Program operates in the federal acquisition environment, Commission employees must have the experience and expertise to work with the Federal Acquisition Regulation (FAR) Council on rule changes that affect the AbilityOne Program. The Commission also monitors and engages as necessary when other federal agencies issue procurement guidance that does not fully conform with the requirements

of the JWOD Act and the AbilityOne Program. Policy and Programs is primarily responsible for policy, draws on the subject matter expertise of other staff members, and consults with the Office of the General Counsel. The Commission added one (1) FTE in FY 2017 for a total of two (2) FTEs in the directorate.

Veterans Employment and Initiatives: This directorate’s mission is to connect veterans who are blind, significantly disabled, or service disabled to a network of employers capable of providing support beyond reasonable accommodations for sustainable competitive and noncompetitive employment opportunities with support services. One (1) FTE was hired in FY 2017 as Director of Veterans Employment and Initiatives.

The Commission’s executive leadership team includes the Office of the Executive Director, the Chief of Staff, Office of the General Counsel, and Communications and Government Affairs. Within these functions are nine (9) FTEs. One (1) FTE is assigned to IT.

**Figure 4. Organization Chart of U.S. AbilityOne Commission Staff, Arlington, VA Office**



### 3.3 Information Technology

The Commission maintains a small IT infrastructure footprint, with its own local area network and web server. The Agency neither operates nor uses data centers.

The Commission has used and maintained its current information management system since 2008. Known as the Procurement List Information Management System (PLIMS), it supports all AbilityOne business transactions with customers and program partners, and enables the Commission staff to meet government-wide goals for telework through a distributed workflow. The Commission has maintained and modestly enhanced this system with limited contractor

support, but in FY 2017 made new investments in the Commission’s electronic workflow software because the existing workflow system has been phased out by the manufacturer.

The Commission began a broad IT system assessment using FY 2017 resources to identify weaknesses, necessary investments and opportunities for greater efficiencies. For example, the Commission’s compliance team may be more efficient when conducting on-site inspections if it is able to use mobile devices such as tablets or applications that streamline data entry and the capture of other information. Such recommendations continue to be researched and documented for proposal in future budget cycles. The table below reflects the current IT enterprise.

<b>Category:</b>	<b>(CY) FY 2016 Budget</b>	<b>(CY) FY 2017 Budget</b>	<b>(BY) FY 2018 Request</b>	<b>(BY) FY 2019 Request</b>
Personnel	1 FTE	1 FTE	2 FTE	2 FTE
Network Maintenance	\$196,000	\$200,000	\$204,000	\$208,000
PLIMS System Programming	\$195,000	\$198,000	\$206,000	\$209,000
Hardware	\$25,000	\$100,000*	\$50,000	\$20,000
Software	\$36,000	\$150,000**	\$125,000	\$70,000
New Investments	\$0	\$600,000***	\$250,000	\$250,000
Total	1 FTE \$451,000	1 FTE \$1.248M	2 FTE \$835,000	2 FTE 757,000

\* The Commission used approximately \$100,000 of its FY 2017 appropriation to refresh IT hardware that is outdated. In recent years, the Commission has deferred replacing or refreshing some of its hardware for budgetary reasons. As noted above, the Commission is exploring the use of new mobile devices to increase staff efficiency.

\*\* The Commission was required to purchase a new workflow software package because its current software is no longer supported by the manufacturer and posed a risk to operations. The FY 2017 Omnibus funding level will permit such a one-time expenditure with minimal recurring costs for licenses or upgrades.

\*\*\* The Commission used approximately \$600,000 of its FY 2017 appropriation to refresh the FISMA security program, study the overall agency’s business processes, and make recommendations to improve the current process.

IT Resource Statements: The Commission’s Chief Information Officer (CIO) has reviewed and contributed to the Agency’s IT investments in this budget request. There are no significant new investments in systems. In FY 2017, the Commission bought necessary IT equipment such as laptop computers or handheld devices for staff members whose equipment had not been refreshed in several years. The CIO routinely reviews and submits the planned IT support for AbilityOne Program objectives, as does the Agency’s Chief of Staff (there is no dedicated Chief Financial Officer position at this time).

Agency Provisioned IT Services Spending Summary (formerly Cloud Computing Summary):

In FY 2014, the U.S. AbilityOne Commission migrated the majority of its physical server architecture to a private, cloud-based virtual server model. In FY 2015, the Commission further updated and streamlined its IT operations by utilizing the Microsoft Office 365 government public cloud and creating a hybrid/mixed cloud model with email migrated to this environment. This enabled the Commission to consolidate and share commodity IT functions, resulting in a more efficient use of resources and an enhanced user experience. In FY 2016, the Commission evaluated moving its VMware server infrastructure to a public cloud-based computing environment to determine whether it would further reduce operating costs. The Agency decided it was not cost effective to move the Agency VMware server to the cloud.

<b>Table 3. Agency Provisioned IT Services Spending (in \$ millions)</b>				
<b>Type</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Public Cloud	0	0	0	0
Private Cloud	.03	0	0	0
Community Cloud	0	0	0	0
Hybrid Cloud	.02	0	0	0
Non-Cloud Provisioned Services	0	0	0	0

Cyber Security:

The Commission relies on its interagency agreement with the Department of Homeland Security, National Cyber Security Division. Under this agreement, DHS provides consolidated intrusion detection, incident analysis and cyber response capabilities in the protection and defense of the Commission’s external access points and network for a reasonable fee. There are no additional funds requested for cyber security purposes in FY 2019.

### 3.4 Budget Request by Object Class

<b>Table 4: FY 2019 Budget Request by Object Class (in \$ thousands)</b>					
	<b>FY 2015 Enacted</b>	<b>FY 2016 Enacted</b>	<b>FY 2017 Enacted</b>	<b>FY 2018 Request</b>	<b>FY 2019 Request</b>
Personnel	\$3,255	\$3,405	\$4,088	\$3,342	\$4,270
Benefits	826	858	1,099	870	1,167
Travel	151	145	185	55	185
Rent & Communications	455	405	415	405	415
Printing	25	18	35	35	35
Services	584	540	1,048	600	1,048
Supplies	35	25	50	25	50
Equipment	49	45	80	35	80
Losses & Claims	0	0	0	0	0
Office of Inspector General	0	750	1,000	750	1,400
<b>TOTAL</b>	<b>\$5,362</b>	<b>\$6,191</b>	<b>8,000</b>	<b>\$6,117</b>	<b>8,650</b>

#### Object Class Narrative for FY 2019 Request

**Salaries and Benefits - \$5,437,000.** The largest share of the Commission’s budget request is the salaries (\$4,270,000) and benefits (\$1,167,000) for the Commission’s personnel. Excluding the funding dedicated to the OIG, salary and benefits represented more than 74 percent of the Agency budget in FY 2017. The specific staffing numbers and capabilities are discussed above in Section 3.2. This amount also includes four private citizen Commission members who are appointed by the President to represent the interests of individuals who are blind or who have significant disabilities. As Special Government Employees, they are paid at the Executive Level IV rate on a per-diem basis when conducting Commission business.

The Commission staff position descriptions are reviewed annually to ensure they provide the maximum benefit in support of Agency priority goals such as program compliance assurance, employment growth and sustainment, policy development, program management and legal support. If necessary, positions will be reprogrammed to most efficiently and effectively promote the mission.

**Travel - \$185,000.** In FY 2019, \$185,000 is the minimum amount of funding for mission-critical travel, including travel needed to build up the Western U.S. Field Office. The Commission will make maximum use of virtual meetings, virtual compliance inspections and virtual training to keep travel costs low and make a larger share of resources available for personnel. The need for enhanced compliance monitoring and oversight dictates that at least a small reserve of travel funds be maintained for high priority inspections or emergency situations.

Aside from Commission member travel to participate in official duties, non-compliance travel will be curtailed and dependent on savings in other object classes.

**Rent and Communications - \$415,000.** Funds described in this budget class include those necessary for monthly charges for information technology and telecommunications equipment. The Commission uses strategic sourcing vehicles to obtain discount pricing for requirements such as its wireless phone service. The Commission's expenses include high speed web connectivity and remote access Internet service provider accounts to enable staff members to telework or work while in a travel status. A small portion of this budget category includes standard business expenses for postage, domestic package delivery and teleconference bridge lines.

**Printing - \$35,000.** In accordance with the Administrative Procedures Act, the Agency continues to have printing costs associated with publishing notices in the Federal Register. This fulfills legal requirements and promotes transparency. In FY 2019, the Commission intends to propose updates to the Code of Federal Regulations, and will propose the removal of outdated regulations, particularly where it is possible to reduce burden. Based on recent years' billing, we anticipate \$35,000 will cover these costs. The Commission does not intend to use this budget line to print informational materials or educational collateral which can be disseminated electronically.

**Services - \$1,048,000.** The Commission has two service contracts that support its information technology infrastructure; one for general network support and one for programming of the Agency's information management system. In addition to these commercial services, the Commission must pay its federal servicing offices for the shared services it receives in the financial and human resources areas. This category also includes services the Commission requires to meet statutory requirements. In accordance with the Federal Information Security Management Act (FISMA), the Commission must review and report on its security functions on a yearly basis. Similarly, the Accountability of Tax Dollars Act of 2002 requires every agency, regardless of size, to conduct an annual audit of its financial statements. In both of these instances, the Commission procures the services of experts to perform the review functions so that the Commission can then take action to ensure full compliance.

Training and professional development necessary for Commission staff has generally been grossly underfunded for the past five years. Coupled with the addition of a very small number of new FTEs to the staff in FY 2017, the staff requires the additional funding to obtain necessary professional development and job-specific training.

**Supplies and materials - \$50,000.** The Commission will achieve cost avoidance in this category by continuing to emphasize on a paperless work environment particularly of paper and toner. In FY 2017, the Commission's funding level permitted some replenishment or refreshment of supplies that have been depleted. The Commission will continue to purchase subscriptions to technical reference such as Westlaw, technical manuals and other publications that enable employees' performance of official duties.

**Equipment - \$80,000.** The Commission refreshed hardware and software in FY 2017, thereby avoiding some of those costs in FY 2019. The Agency uses Federal Strategic Sourcing Initiative (FSSI) contract vehicles to obtain the best discount pricing for the government in this area. The primary driver of spending in this category are the necessary annual software license updates.

#### **4.0 Agency Restructuring or Work Process Redesign**

##### **4.1 Western United States Field Office Update**

The Commission proposed a Western U.S. Field Office as part of its FY 2017 budget justification. Congress subsequently directed that the office be established.

The Commission established an Initial Operational Capability for the Western U.S. Field Office by the end of FY 2017. The Commission intends to achieve Full Operational Capability by the end of FY 2018, contingent upon funding.

With annual AbilityOne Program sales now exceeding \$3 billion to the federal government, regional field offices are needed to achieve effective oversight, compliance, integrity and accountability of program contracts valued at approximately \$8 billion.

In addition, the AbilityOne Program is the source of employment for approximately 45,000 people who are blind or significantly disabled, spans 15 time zones, and encompasses all 50 states and Guam. The Commission's limited number of staff, headquartered in the Washington, D.C. area, are challenged to oversee approximately 550 nonprofit agencies, and actively engage and respond to federal contracting, acquisition and program officials, and nonprofit agency leaders.

The increasing size, scope and costs of the AbilityOne Program require the Commission to rapidly identify issues and take immediate action to minimize or eliminate risks to the government. Recent attention from Congress, the GAO and national media contributed to the establishment of an OIG for the Commission, an increased emphasis on oversight and compliance, and illustrated the need to transform the AbilityOne Program. The Commission's strategy is to transform, build trust and confidence, achieve a greater reach for oversight, and operate more independently.

Regional field offices are central to this strategy and will protect the interests of the government and employment of people who are blind or have significant disabilities.

The Western U.S. Field Office will significantly improve the Commission's program oversight and accountability. The current concept follows:

- Field office geographic area: 14 states -- Alaska, Arizona, California, Hawaii, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming – and the territory of Guam.
- Nonprofit agencies in the field office geographic area: Approximately 112.
- Field office location: The Commission staff is evaluating potential office sites including locations in and around San Diego, California and Seattle, Washington. Considerations include proximity to nonprofit agencies, cost of living, GSA rental space options and access to an airline hub. The office would have a small footprint. and leverage telework.
- Field office staff: Experts in compliance, vocational rehab, operations and price analysis, as well as an attorney, would be included in a staff of eight (8) FTEs. The initial cohort to stand up the office was estimated in FY 2017 at one (1) to three (3) FTEs, and the Commission is operating within this range now.
- Field office cost: A full staff of eight FTEs, plus infrastructure and travel costs, is estimated at approximately \$2.8 million per year.

#### **4.2 IT Assessment Update**

In FY 2019, the Commission will explore improvements and enhancements to its 10-year-old workflow system called the Procurement List Information Management System (PLIMS). PLIMS was designed to automate the Commission's workflow for additions, deletions and changes to the AbilityOne Program Procurement List. The system also supports remote workers' concurrent reviews of Procurement List business transactions.

Since PLIMS was launched, the Commission has made minor enhancements, primarily streamlining or combining transactions for greater efficiency. However, ever-changing business processes and the results of Lean Six Sigma reviews have outpaced the updates to PLIMS. The Commission's FY 2017 appropriation provided resources that enabled the Commission to conduct an assessment of its IT capability and capacity, and to determine its needs for the future.

The IT assessment will inform the Commission's larger and longer-term Agency restructuring effort, following the guidance of OMB Memorandum M-17-22. The Commission will also review its staffing resources.

## **5.0 Performance Goals, Measures and Indicators (Agency Priority Goals)**

This section of the budget narrative addresses performance planning and reporting by the Commission, on behalf of the AbilityOne Program, in accordance with the Government Performance and Results Act (GPRA) Modernization Act of 2010. The link between goals and resources requested in FY 2019 is discussed below.

The Commission's Draft Strategic Plan covers the period from FY 2018-2022. For the Commission, as well as the Program, the mission and vision statements, and core goals, have been validated several times. In FY 2019, the Commission will continue to convene stakeholders to refine shorter-term performance goals, tactics and measures, to ensure that the plan remains a living document and relevant in today's dynamic operating environment.

Strategic core goals for the AbilityOne Program are:

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

The Commission's subcommittee structure reflects the high priority placed on executing against these goals. Each of the Commission's standing subcommittees is devoted to these core goals. The Agency uses a dashboard approach to report the progress toward each goal, reviewing and using the relevant data to make recommendations at the subcommittee level for decisions at the full Commission level.

### **5.1 Strategic Goal 1: Effective Stewardship**

AbilityOne Program integrity is paramount, making the Effective Stewardship goal a top priority for the Commission. Effective Stewardship encompasses fostering, monitoring and enforcing nonprofit agencies' compliance with the statutory and regulatory requirements to participate in the AbilityOne Program. In the past three fiscal years, greater emphasis has been placed on the Commission's oversight of its CNAs, in accordance with the recommendations in GAO Report GAO-13-457, and the establishment of Cooperative Agreements with each CNA in June 2016. The Commission established a Program Manager position to oversee implementation of the Cooperative Agreements. As the Cooperative Agreement associated reports, deliverables and evaluation processes increase, the Commission will assess the staffing level and resources necessary to effectively implement the Cooperative Agreements in FY 2019 and the out-years.

The Commission's oversight of AbilityOne-participating nonprofit agencies is centered on their compliance with the statutory and regulatory requirements to participate in the AbilityOne Program. Nonprofit agencies must demonstrate that 75% or more of all direct labor hours worked during the fiscal year were provided by people who are blind or have significant disabilities. The Commission's compliance team is responsible for inspecting and training

nonprofit agencies, and reviewing nonprofit agencies' certified data to determine whether or not the organizations are in compliance with the requirements.

Based on the Commission's review of nonprofit agencies' certified data, there were approximately 550 nonprofit agencies authorized to participate in the AbilityOne Program as of September 30, 2016. Of those reporting and remaining in the program, just under four (4) percent (21 nonprofit agencies) were out of compliance with the statutory ratio requirement. Consequences for noncompliance include probation and reporting requirements, suspension from consideration for AbilityOne work opportunities, and/or removal of eligibility to participate in the Program. The Commission staff uses compliance-related data and trends to identify priorities for training and communications during the next fiscal year.

The resources requested in this justification to support the Effective Stewardship goal are primarily personnel to perform program management and compliance inspections. As discussed in Section 3.1, the Commission has developed cost-saving approaches to leverage virtual compliance data reviews, allowing travel dollars to be maximized. However, there remains a need for on-site inspections, and the associated resources are included in the travel budget object class.

## **5.2 Strategic Goal 2: Employee and Customer Satisfaction**

Both employee and customer satisfaction are crucial to accomplishment of the AbilityOne Program's employment mission. The Commission leverages data to identify both successes and weaknesses, and then works with AbilityOne Program stakeholders to develop and execute plans to increase satisfaction in the areas where our data and evidence show the greatest opportunity for improvement.

The first strategic objective under this goal is to increase and sustain AbilityOne nonprofit agency employee satisfaction through continuous feedback, followed by strategies to achieve improvements. A baseline employee satisfaction level was established in 2010, showing an overall AbilityOne Program employee satisfaction rating of 85%, compared to the 68% industry benchmark level. In 2013, employee satisfaction was again measured, with AbilityOne participants reporting an increased level of overall job satisfaction level, 86.5%, compared to the U.S. National Norm of 70%. (Both the industry benchmark and national norm data were provided by Towers Watson, a professional services company that conducts employee research).

The Commission's Quality Work Environment (QWE) initiative is the AbilityOne Program's primary approach to increasing and maintaining employee satisfaction. QWE involves nonprofit agency employers of people who are blind or significantly disabled sharing best practices and pursuing continuous workplace improvement to better serve their workforce.

The Quality Work Environment initiative focuses on four key areas:

- Increasing wages through increased productivity.
- Providing navigation to supports, services and training.
- Articulating a defined career ladder for employees, and defining steps to climb the ladder.
- Ensuring an integrated, engaging workplace culture.

Several QWE best practices correlate positively with the elements of job satisfaction most desired by AbilityOne employees, according to employee satisfaction survey results.

Accordingly, the Commission influences employee satisfaction by monitoring and encouraging nonprofit agencies to use the QWE initiative and QWE plans. The Commission expects to achieve full voluntary participation across the AbilityOne Program, but has extended the timeline for adoption in light of the uncertainty and disruption to nonprofit agencies' employment programs during Sequestration, the government closure, and subsequent decrease in AbilityOne employment opportunities. At the end of FY 2016, approximately 85% of all AbilityOne employees worked in nonprofit agencies that participate in QWE continuous improvement efforts, and nearly 60% of all AbilityOne nonprofit agencies were taking part in this voluntary program.

The second strategic objective under this goal is to increase and sustain AbilityOne federal customer satisfaction at the buyer level and among end-users of products/services. Important on its own, this objective also supports the employment mission. In early FY 2015, a survey of non-Defense Federal Customer Satisfaction and Loyalty was implemented identify strengths and opportunities for improvement among customers who are the primary points of contact for active AbilityOne contracts. The survey's findings included an overall 88% satisfaction level with the AbilityOne Program among this segment of customers, up from the previously measured level of 84% in 2011. Other statistically valid findings underscored the Program's need to focus on more competitive pricing and proposals, while quality and timeliness were found to be equal to or better than non-AbilityOne contractors. The results correlated closely with the feedback gathered in an AbilityOne products and services end-user survey in 2014.

The Commission and its AbilityOne Program partners are seeking new methods to measure customer satisfaction because of limits on conducting surveys, including those of federal acquisition professionals. The Commission is exploring the use of past performance reports to obtain customer satisfaction input. The Commission is also implementing GAO recommendations related to pricing, specifically to enhance transparency in the establishment of Procurement List prices through the dissemination of procedures, manuals and training. After full implementation, we will evaluate the effect of these recommendations on customers' understanding of and perception of AbilityOne pricing. Each of these satisfaction-related tactics will be implemented within the Commission's baseline resources; no additional funding is requested for this goal area.

### **5.3 Strategic Goal 3: Employment Growth**

The AbilityOne Program's mission is to generate employment opportunities for people who are blind or significantly disabled, so employment growth is the bottom-line metric. The quality of AbilityOne employment is a high priority for the Commission, as discussed under the Employee/Customer Satisfaction goal above. The Commission tracks promotions of people who are blind or significantly disabled, which numbered more than 1,477 in FY 2016. This includes more than 400 promotions into supervisory positions. The Commission also tracks competitive placements, where AbilityOne employees are assisted in finding jobs outside of the Program, which exceeded 2,100 during FY 2016. Still, the primary measure for the growth goal is quantitative -- the number of direct labor hours worked by AbilityOne employees and the total number of jobs supported by the products and services on the AbilityOne Procurement List.

AbilityOne Program data shows that in FY 2016, the approximately 45,000 people who are blind or have significant disabilities performed nearly 47 million hours of direct labor and earned \$616 million in aggregate wages as the result of working on AbilityOne contracts. The average hourly wage was \$13.01. AbilityOne employment is driven by the delivery of products and services to the government, and total AbilityOne sales recorded in FY 2016 exceeded \$3.3 billion, an increase of more than five percent over FY 2015.

The Commission's role in employment growth is two-fold: First, the Commission educates and communicates with federal agencies to assist them in maximizing their purchases from the AbilityOne Program. This involves developing educational materials and disseminating information through a wide range of channels including electronic publications and social media. The primary resources necessary for these efforts are personnel.

Second, the Commission adds to, changes or deletes products and services from the AbilityOne Procurement List. Managing the Procurement List is a mission-critical process, with numerous variations such as product updates, price changes or authorizing additional nonprofit agencies to perform the work. The Commission's Operations staff is virtually one-deep in all technical areas, from products expertise to services expertise, from price analysis to information management. This budget justification does not include any new FTEs in these areas, but the current level of staffing is absolutely the minimum necessary.

### **5.4 Strategic Goal 4: Business Excellence**

The Commission executes mission-critical business processes with its Central Nonprofit Agencies, participating nonprofit agencies and federal customers. The strategic objective is to improve the effectiveness and efficiency of three critical business processes:

- Procurement List addition process, which generates employment.
- Fair market pricing policy and procedures.
- Program Fee determination and implementation process.

In FY 2016, in accordance with the Consolidated Appropriations Act, the Commission's business excellence efforts were focused on the establishment of the first-ever written agreements with the designated CNAs, to better define the business relationship and performance expectations. The Cooperative Agreements include the Commission's requirements for timeliness and accuracy in the CNAs' submissions of requests for Procurement List or pricing transactions. The Cooperative Agreements have Quality Assurance Surveillance Plans (QASPs) that measure the timeliness and accuracy in accordance with the specified standards.

Additionally, the Cooperative Agreements address the AbilityOne Program fee determination implementation. The CNAs' collection of fees and expenditure of fees is more closely tracked, and certain costs have been deemed unallowable. As required by the Consolidated Appropriations Act of 2016, the Commission's Cooperative Agreements include reporting on the Program Fee to Congress on a quarterly basis.

Implementation of the Cooperative Agreements is overseen by the Commission's Program Management Office. This is the primary resource requirement for addressing Strategic Goal #4. As noted in the Effective Stewardship section, the Commission will assess the staffing level and resources necessary for the Program Management Office to be effective, as reports, deliverables and evaluation processes increase. Any increase in resources will be proposed and justified in the FY 2020 budget request.

## **6.0 Evidence and Evaluation**

Evidence is "the available body of facts or information indicating whether a belief or proposition is true or valid. Evidence can be quantitative or qualitative, and may come from a variety of sources, including performance measurement, evaluations, statistical series, retrospective reviews, and other data analytics and research," according to OMB memorandum M-15-11. For the AbilityOne Program, the Commission has long used evidence such as annual program data and independent reviews to evaluate performance, the efficacy of strategies to achieve objectives, and the need for adjustments in priorities, policies and procedures.

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

In developing this budget justification, the Commission considered data it collects pertaining to jobs created, job reductions, direct labor hours worked, federal agency expenditures, wages paid and the compliance ratings of AbilityOne-participating nonprofit agencies. This evidence allows Commission members to monitor and evaluate the progress towards AbilityOne strategic goals and to decide where the Commission's attention and emphasis is most needed to effectively

administer the Program. AbilityOne Program data shows where employment has been gained, sustained or lost during the past year. Combined with federal spending analyses, this data tells the Commission which lines of business support the most reliable, highest skilled, highest paying positions for AbilityOne employees, and should thus be the focal points for fostering and growing AbilityOne job opportunities.

In FY 2017, the Commission began to participate in and support the FY 2017 National Defense Authorization Act Section 898 “Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity; Defense Acquisition University Training.” The panel’s duties include review, analysis and recommendations to reduce vulnerabilities in DOD contracts for AbilityOne products and services, and to increase the DOD’s use of the AbilityOne Program. The Commission expects data and evidence-based reviews to play a substantial role in panel, and has identified numerous program data elements from employment to pricing to “leakage” statistics to inform the panel’s work. Recommendations from the panel, along with requested resources to implement those recommendations, will be incorporated into the Commission’s future Congressional budget justifications.

In terms of building evidence capacity and infrastructure, and consistent with the Agency Reform Plan, the Commission identified and employs the following methods relevant to the Agency’s mission and program effectiveness:

- Use consistent leadership messaging to ensure that data and evidence are collected or built, analyzed, understood, and appropriately acted upon.
- Ensure staff with appropriate analytic skills and backgrounds are hired and supported.
- Improve use of existing administrative data to build evidence.
- Partner with other agencies to share data or jointly design/fund studies.

## **7.0 Office of Inspector General**

### **Executive Summary**

The U.S. AbilityOne Commission’s mission is to create and maintain employment for people who are blind or have significant disabilities. The Commission is headquartered in Arlington, VA and its employees conduct oversight of a \$3 billion program that includes approximately 550 nonprofit agencies located across all 50 states and Guam.

Established in 2015, the Office of Inspector General’s (OIG) is an independent organization that promotes effectiveness and efficiency and helps prevent and detect waste, fraud, and abuse. Specifically, the OIG protects the integrity of the AbilityOne Program to ensure Commission operations and programs are used appropriately and well serve the people who use them. In the initial phases of its establishment and operating with constrained resources, the OIG has to date, hired a limited number of mission critical employees, developed its Audit and Investigations Plans, issued its first Semi-Annual Reports to Congress, and aligned budget and mission requirements. Going forward the OIG, with the needed resources, will increase its oversight efforts through business plan implementation. The current OIG structure is outlined below.

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### **Office of Inspector General Organizational Chart**

#### **Inspector General**

**Assistant Inspector General for Audit**

**Assistant Inspector General for Investigations**

**Counsel to the Inspector General**

**Administrative Officer**

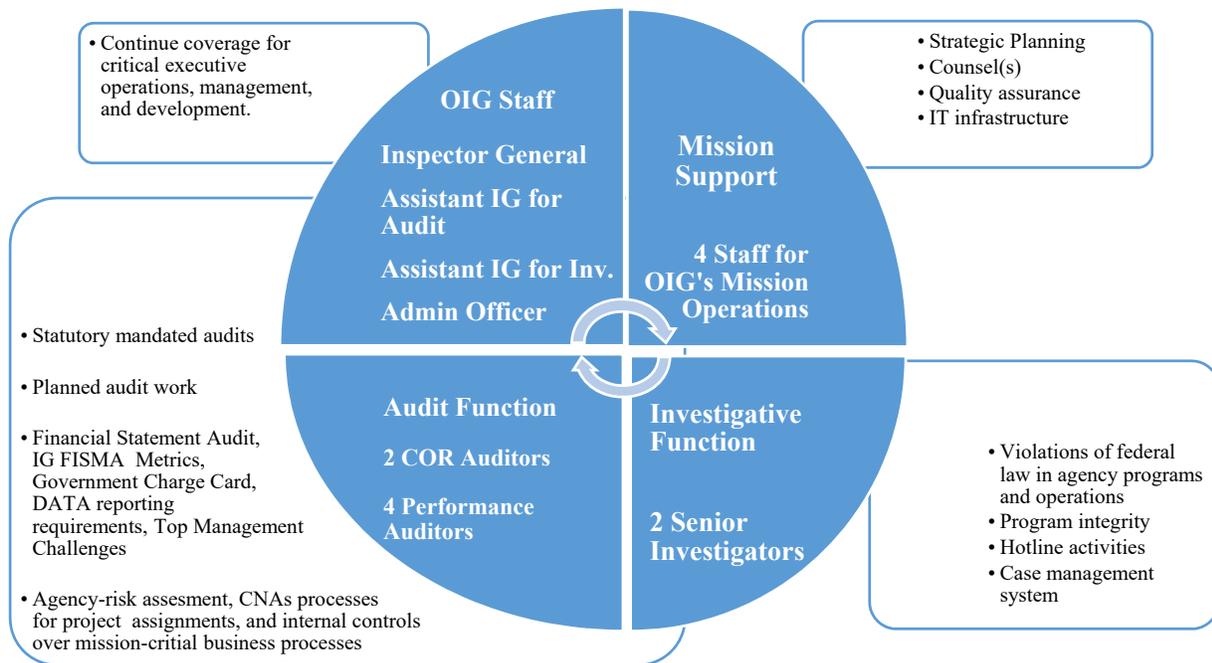
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### **Workforce Needs**

To date, the current staff level has not been effective to accomplish the required oversight. Therefore, consistent with OMB guidance in M-17-28, the OIG has been provided through a passback of \$1,400,000 for FY 2019. These funds will ensure the OIG will be able to implement its Audit and Investigation Plans and achieve the OIG Strategic Plan milestones.

In particular, the FY 2018-2019 Audit Plan covers statutorily mandated work products and planned discretionary work to include emphasis in the areas of direct labor hour requirements, program fees, and reportable expenditures as highlighted by House Committee on Appropriations Report for Fiscal Year (FY) 2018 Funding Bill Report (H. Rep. 115-224 at 133). The Investigative Priorities Plan covers potential investigative focus on fraud awareness, collective investigations, program activities investigations, and financial fraud investigations.

In addition, for the first time, employees, contractors and program participants will now be able to report waste, fraud and abuse using the AbilityOne OIG Hotline Center which was launched in August 2017. This new reporting system will increase case openings and other anticipated work for the OIG Investigations and Audit staff. The system will allow OIG to manage investigative inventory and provide data analytical capabilities needed to adequately identify trends from investigative activities.



## Reducing the Federal Footprint

The OIG is currently responsible for its rental expense, and currently exploring options to co-locate with the Agency to create increased economies and efficiencies in this constrained budget atmosphere. Under the IG Act as amended, **Section 6(d) requires the Agency to provide the OIG “with appropriate and adequate office space at central and field office locations of such establishment, together with such equipment, office supplies, and communications offices, and provide necessary maintenance services for such offices and the equipment and facilities located therein”**. This issue is being discussed with the Agency to determine the best outcome.

## Technology

Using the Commission’s IT infrastructure, including its servers, the OIG currently does not have access to any hardware or software systems that would allow it to conduct data mining, forensic cybersecurity initiatives or workflow integration and streamlining. In order to improve and

enhance its IT capabilities, the OIG will need to expend approximately \$80,000 dollars in FY 2019.

## **Training**

The OIG training needs are based on statutorily mandated training requirements for federal law enforcement and audit personnel. Therefore, the OIG's funding request for training equals \$42,000.

## **Council of Inspectors General on Integrity and Efficiency (CIGIE)**

Funding will be necessary to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) for their operational activities and government-wide support with the IG community. In accordance with the reporting requirements of section 6 of the IG Act, this budget request is a necessary funding for OIG's support of CIGIE, a portion of which will be funded from the OIG's Discretionary budget.

## **Budget Exhibits**

### *Inspector General Reform Act Statement*

The Committee for Purchase From People Who Are Blind or Severely Disabled, Office of Inspector General (OIG), operating as the U.S. AbilityOne Commission was authorized in the Consolidated Appropriations Act of 2016. The Inspector General Act of 1978 as amended (IG Act), requires certain specifications concerning the OIG budget submission for each fiscal year. Each Inspector General (IG) is required to transmit a budget request to the head of the establishment to which the IG reports specifying:

- Aggregate amount of funds requested for the operations of the OIG;
- Portion of this amount requested for OIG training; and
- Portion of this amount necessary to support CIGIE.

Section 6 of the IG Act was amended by the Inspector General Reform Act of 2008 (P.L. 110-409) to require certain information concerning OIG budget submissions. For Fiscal Year (FY) 2019, this information is as follows:

- OIG's aggregate budget estimate and prior request to OMB for FY 2019 is \$4,600,000 to remain available through September 30, 2020;
- OIG's aggregate funding approved by the House Committee on Appropriations for FY 2018 was \$1,250,000 to remain available through September 30, 2019;
- OIG's funding request for training needs is \$42,000; and
- Funding necessary to support CIGIE from OIG's Discretionary budget.

The projection for salaries and benefits needed for the OIG organization is \$2,813,440 for the required 16 FTE staff-level.

## 8.0 Proposed Appropriation Language

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

#### Federal Funds

#### SALARIES AND EXPENSES

For expenses necessary for the Committee for Purchase From People Who Are Blind or Severely Disabled established under section 8502 of title 41, United States Code, \$8,650,000: *Provided*, That in order to authorize any central nonprofit agency designated pursuant to section 8503(c) of title 41, United States Code, to perform requirements of the Committee as prescribed under section 51–3.2 of title 41, Code of Federal Regulations, the Committee shall enter into a written agreement with any such central nonprofit agency: *Provided further*, That such agreement shall contain such auditing, oversight, and reporting provisions as necessary to implement chapter 85 of title 41, United States Code: *Provided further*, That such agreement shall include the elements listed under the heading "Committee For Purchase From People Who Are Blind or Severely Disabled—Written Agreement Elements" in the explanatory statement described in section 4 of Public Law 114–113 (in the matter preceding division A of that consolidated Act): *Provided further*, That any such central nonprofit agency may not charge a fee under section 51–3.5 of title 41, Code of Federal Regulations, prior to executing a written agreement with the Committee: *Provided further*, That no less than \$1,400,000 shall be available for the Office of Inspector General.

*Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.*

#### ADMINISTRATIVE PROVISIONS

Sec. 401. Not later than 30 days after the end of each fiscal year quarter, beginning with the first quarter of fiscal year 2016, the Committee For Purchase From People Who Are Blind or Severely Disabled shall submit to the Committees on Oversight and Government Reform and Education and the Workforce of the House of Representatives, the Committees on Homeland Security and Governmental Affairs and Health, Education, Labor, and Pensions of the Senate, and the Committees on Appropriations of the House of Representatives and the Senate, the reports described under the heading "Committee For Purchase From People Who Are Blind or Severely Disabled—Requested Reports" in the explanatory statement described in section 4 of Public Law 114–113 (in the matter preceding division A of that consolidated Act).

## 9.0 Conclusion

The Commission requests \$8,650,000 for FY 2019, including not less than \$1,400,000 for the Office of Inspector General (OIG), so that the Commission can execute its mission of providing job opportunities for approximately 45,000 Americans who are blind or have significant disabilities. Through the AbilityOne Program, these individuals have jobs, earn income, pay taxes, contribute to their communities, and provide valuable products and services as part of our nation's industrial base.

Today the Commission is experiencing an unprecedented imbalance between its inadequate resources and a historic increase in mission requirements – specifically, a disparity between its legacy of limited resources and the recent sharp rise in Congressional requirements to strengthen program oversight.

The Commission needs additional resources to accelerate a “hard pivot” to increased accountability and transformation of oversight, compliance, and evaluation of proposals, pricing and quality of products and services.

Only 27 Agency FTEs oversee more than \$3 billion in AbilityOne sales – with contract value of more than \$8 billion. Agency staff oversee approximately 550 nonprofit agencies across 15 time zones from Guam to Maine, and provide tens of thousands of staff at federal agencies and nonprofit agencies with guidance on Program policies and regulations. Staff also oversee Central Nonprofit Agencies whose combined revenues and number of staff are approximately 20 times larger than the Agency appropriation and FTEs, respectively, based on FY 2016 data.

Major change has characterized the AbilityOne Program over the past three years. The Commission established Cooperative Agreements with the CNAs to better define the business relationship and strengthen oversight. The Cooperative Agreements emphasize employment growth, program integrity, support for nonprofit agency employers participating in the AbilityOne Program, as well as enhanced training and communications. The Commission also established an OIG, which is building the infrastructure to be an independent, fully functional organization able to handle complaints, perform audits and investigations, and make recommendations to improve the efficiency and effectiveness of the AbilityOne Program.

Continuous evaluation and improvement will continue. The Commission is a participant in the FY 2017 National Defense Authorization Act Section 898 “Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity; Defense Acquisition University Training.” The panel’s review and recommendations will identify vulnerabilities and opportunities for improvement in DOD contracting with the AbilityOne Program. It will also promote increased use of AbilityOne products and services by DOD customers.

Among its other duties, the panel will explore ways to increase the employment of wounded warriors and other veterans across the AbilityOne Program. The Commission anticipates the panel’s recommendations to play a role in the development of future Commission budget requests.

The Commission’s ability to thoroughly monitor and oversee the AbilityOne Program must keep pace with the growth in both sales to the government and the number of employees in the Program. The FY 2019 budget request is structured to support the Commission’s day-to-day operations as the Agency explores and pursues the most effective organization and approach to ensure full implementation of the above oversight initiatives and priorities. While emphasizing oversight, the Commission maintains an unwavering focus on its core mission – employment opportunities for people who are blind or have significant disabilities.

## **Appendix I Financial Management Summary**

Though it is a small, independent agency, the Commission accomplishes an important mission that is national in scope – touching the lives of approximately 45,000 people who are blind or have significant disabilities. It does so without a national infrastructure, and with very limited appropriated funds. The Agency’s 2017 budget was \$8,000,000, with no less than \$1,000,000 for the Office of Inspector General. This budget was primarily used to fund salaries and benefits for the Agency’s full-time civil service staff and private citizen members; to pay for rent and overhead expenses at the Agency’s office in Arlington, Virginia; to continue work to establish a Western U.S. Field Office; and to fund official travel such as on-site inspections of nonprofit agencies’ compliance with the law and relevant regulations.

The Agency’s goals, objectives, targets and measures are focused on administration of the AbilityOne Program nationwide. Accordingly, and leveraging the efficiencies of shared services, the Commission obtained financial systems services from the Financial Information & Operations Division USDA - Office of the Chief Financial Officer under an interagency agreement in FY 2017. These include an accounting system, travel, administrative payments; personnel compensation and benefits; and cash collection and deposits. The Commission relied primarily on audits of the Financial Information & Operations Division conducted by the Office of the Inspector General at USDA to uncover material weaknesses in those systems and to ensure that internal control procedures are in place. No material weaknesses have been reported to the Commission by that office.

In FY 2017, independent auditors found the Commission’s financial statements presented fairly and the Agency’s financial position for the fiscal year ended in conformity with generally accepted accounting principles. Additionally, the auditors did not note any deficiencies in internal controls over financial reporting that would qualify as a material weakness. Also, the audit did not disclose any instances of noncompliance with laws or regulations that would be reportable under Government Auditing Standards or the Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, as amended. The Agency continues to perform monthly periodic reviews of financial statements against internal control documents to ensure accuracy of transactions between the Commission and our GSA service provider.

### **Improper Payments Reductions**

In accordance with the Improper Payments Information Act of 2002, the Commission reports that it had no significant improper or erroneous payments in FY 2016. Therefore, no corrective action is required. The Commission has no grant making authority, makes no payments to beneficiaries, has no unneeded real property and has no debt collection program. The Commission has nine (9) contracts for services; none are more than \$460,000 per year, and most are significantly below that threshold. Nearly all of the Agency’s resources are dedicated to personnel and rent. The Agency is committed to monthly reconciliation of all spending, including payroll, and remains vigilant to prevent improper payments.