



Office of Inspector General

PHONE: 703-603-2124

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

August 9, 2017

MEMORANDUM

FOR: James M. Kesteloot
Chairperson
U.S. AbilityOne Commission

Tina Ballard
Executive Director

FROM: Thomas K. Lehrich *Thomas K. Lehrich*
Inspector General

SUBJECT: Audit Plan for Fiscal Years 2018-2019

Enclosed is the Office of Inspector General (OIG) Fiscal Years (FY) 2018-2019 Audit Plan. The Plan identifies the products OIG intends to issue during the specified time frame. We previously provided a draft copy of the audit plan to the U.S. AbilityOne Commission leadership for comments before finalizing the plan.

The OIG audit plan is a critical aspect for accomplishing the OIG's mission to promote economy and efficiency in the AbilityOne Program, and to detect and prevent fraud, waste, and abuse. The list of products reflects what we can reasonably accomplish with the available resources, and we recognize that work of more immediate concern may arise requiring us to adjust our priorities.

OIG welcomes suggestions about future work that we should consider, as we continue our audit planning process. Please let me know if you have any questions.

Enclosure: FY 2018-2019 Audit Plan

cc: Michael Rogers
Chief of Staff

Barry Lineback
Acting Deputy Executive Director

Office of Inspector General

Audit Plan for Fiscal Years 2018-2019

Overview

The Biannual Audit Plan includes the Office of Inspector General (OIG) mandatory work and planned products to the Committee for Purchase From People Who Are Blind or Severely Disabled (CPPBSD). The Audit Plan is subject to change based on the results from the planned assessment of agency risk and assignment of priorities to help ensure optimum use of OIG resources. We also recognize that work of more immediate concern may arise requiring us to adjust our priorities. For example, we will perform oversight work in areas emphasized by the House Committee on Appropriations (H. Rep. 115-224 at 133) to ensure statutory requirements are met in areas for direct labor hours, program fees, and reportable expenditures. This approach establishes an ongoing and dynamic planning process to identify the most significant risks inherent in AbilityOne functions and activities. The design on the broader objectives aims at key operational processes such as compliance, policy, and other internal control activities. The OIG developed this plan after considering the following factors:

- Government Accountability Office (GAO) high risk areas;
- Prior audit coverage on AbilityOne Program or its affiliates;
- Fiscal Year 2017 Budget Justification;
- Fiscal Year 2016 Performance and Accountability Report (PAR);
- AbilityOne Program Strategic Plan for FY 2010-2014;
- Council of the Inspectors General on Integrity and Efficiency (CIGIE) cross-cutting projects and initiatives;
- U.S. AbilityOne Commission leadership input; and
- Discussions and feedback from program users and stakeholders.

CPPBSD was established as an independent Federal agency by the Javits-Wagner-O'Day Act (JWOD Act) amendments of 1971. The CPPBSD administers the employment and training opportunities for people who are blind or have other severe disabilities in the manufacturing and delivery of products and services to the Federal Government. In 2006 the program was re-named AbilityOne Program, and in 2011, the agency adopted the operational name of the U.S. AbilityOne Commission to ensure greater brand recognition.

The AbilityOne Program consists of the U.S. AbilityOne Commission (Commission), two designated central nonprofit agencies (CNAs), and a nationwide network of qualified nonprofit agencies (NPAs). The Commission determines which products and services that are produced and provided by the NPAs are suitable for the Federal Government to procure through the AbilityOne Program. The CNAs assist with implementing the AbilityOne Program, facilitate the participation of the NPAs, and recommend the products and services that are suitable to be placed on the Procurement List.

Statutorily Mandated Work Products for FY 2018-2019

Top Management and Performance Challenges Report

The Reports Consolidation Act of 2000, P.L. 106-531, requires OIGs to identify agency management challenges, assess the performance progress in addressing each challenge, and submit a summary report annually. The challenges reported reflect what the OIG considers to be significant impediments to the AbilityOne Program efforts to promote economy, efficiency, and effectiveness in its management and operations. The first report has relevance as it provides a framework for emphasizing performance, accountability and transparency.

The first memorandum report on the agency's top management and performance challenges is scheduled for the 4th Quarter in FY 2017. The report will provide a forward viewpoint into FY 2018 and beyond to aid the U.S. AbilityOne Commission in focusing attention on the management and performance issues facing the AbilityOne operations and activities. In addition, the OIG's Top Management and Performance Challenges report will assist the Agency in the issuance for the next Agency PAR.

Financial Statement Audit

The Chief Financial Officers Act of 1990, P.L. 101-576, as amended by the Government Management Reform Act, P.L. 103-356, requires 24 major agencies of the Federal Government to prepare and submit audited financial statements. For those Federal entities not covered by the CFO Act, the Accountability of Tax Dollars Act of 2002, P.L. 107-289, requires those Federal agencies and entities to prepare and submit audited financial statements to the Office of Management and Budget (OMB) and Congress.

The objective of the audit is to determine whether the Commission's financial statements present fairly AbilityOne's financial position, results of operations, and cash flows. The audit is performed by a certified independent public accounting (IPA) firm, and OIG provides technical oversight on the contractor's performance.¹ The OIG intended oversight ensures compliance with professional auditing standards, guidance defined in the OMB Circular A-136, *Financial Reporting Requirements* and OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

FISMA IG Metrics Report

The Federal Information Security Modernization Act (FISMA) of 2014, P.L. 113-283, amended the Federal Information Security Management Act of 2012 to strengthen Federal cybersecurity. FISMA 2014 clarified the OMB oversight authority over Federal agency information security

¹ See also 31 U.S.C. §§ 3515 and 3521.

practices. It also codified the responsibility of the Department of Homeland Security(DHS) to administer the implementation and reporting compliance requirements.

FISMA requires the OIG to conduct an annual independent evaluation to determine the effectiveness of the information security program and practices of the U.S. AbilityOne Commission. The evaluation is conducted by a third-party information security consultant. The OIG oversight ensures the contractor follows the methodology established by CIGIE, OMB, and DHS for Fiscal Year 2017 IG FISMA Reporting Metrics.

Risk Assessment for Government Charge Card Programs

The Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194, reinforced efforts to prevent waste, fraud, and abuse of Government-wide charge card programs. Our review will be conducted consistent with OMB guidance and other criteria.²

Under the Charge Card Act, the OIG plans to conduct on an annual basis, a risk assessment of the U.S. AbilityOne Commission charge card programs. Our intended objective and scope is to analyze the risks of illegal, improper, or erroneous purchases, and payments and determine the necessary scope, frequency, and plan for future audit oversight efforts. All executive departments and agencies are required to implement the Charge Card Act's internal controls for purchase cards and travel cards to ensure Federal funds are appropriately managed.

Progress Review on Transparency of Federal Data Requirements

The Digital Accountability and Transparency Act of 2014, P.L. 113-101, also known as the DATA Act, expanded on the Federal Funding Accountability and Transparency Act of 2006. The DATA Act identifies OMB and the Department of the Treasury as the two agencies responsible for establishing data standards and issuing related guidance to effectively track federal spending. The DATA Act requires Federal agencies to begin reporting federal spending using the data standards by May 2017. OMB Memorandum M-15-12 directs Federal departments and agencies to submit DATA Act implementation plans to OMB, concurrently with their fiscal year 2017 budget requests.

The OIG intended objectives are broken down into two steps. First, we need to determine the progress the U.S. AbilityOne Commission has taken in reporting federal spending using the data standards, and any submissions of the DATA Act implementation plans to OMB. Next and subsequently, the DATA Act requires the OIG to review statistically valid samples of the spending data submitted by the agency. Our plan is to submit a report to Congress assessing the

² Circular No. A-123 Appendix B, *Improving the Management of Government Charge Card Programs*; OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*; and OMB Memorandum 13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*.

completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of the Government-wide financial data standards by the federal agency.

Planned Discretionary Work Products for FY 2018-2019

Assessment of Agency Risk

The CIGIE Quality Standards direct OIGs to assess the nature, scope, and inherent risks of agency programs and operations to help ensure optimum use and assignment of OIG resources and priorities. The purpose on the agency risk assessment is to identify and analyze the current and emerging agency programs, operations, and management challenges that pose the greatest risks. The key element on this approach is to identify and appropriately consider organizational and other risks.

Our intended objective is to perform a risk scan of the agency programs and operations to validate our methodology in identifying risk areas and guide future audit work. The desired outcome will also provide information to agency management for consideration on implementing the requirements of OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016. The Circular defines management's responsibilities for enterprise risk management (ERM) and internal control functions. The implementation guidance seeks to improve accountability and effectiveness of Federal programs as well as mission-support operations through the implementation of ERM practices, and by establishing, maintaining, and assessing risk management and effective internal controls.

CNA's Processes for the Assignment of Projects and Allocation of Orders

41 U.S.C. § 8503 provides the authority to the U.S. AbilityOne Commission to add products and services (projects) to the AbilityOne Program Procurement List (PL). Regulations promulgated by the Commission, 41 C.F.R. Chapter 51, give the Commission the authority to approve the qualified NPAs within the program that provide the projects. In so doing, the Commission relies heavily on recommendations from the CNAs.

The intended objective of the audit is to determine the effectiveness of controls to facilitate, award and monitor the assignment of projects for development, and the allocation of orders for items on the PL to qualified NPAs.

Evaluate Agency's Implementation and Monitoring Activities

The U.S. AbilityOne Commission submitted the FY 2016 PAR in accordance with OMB Circular A-11 Part 6, Section 260. The AbilityOne Program oversight and accountability was

emphasized through the implementation of CNAs Cooperative Agreements, and the Commission's compliance transformation processes related to NPAs reviews.

Our audit work will likely be broken down into a number of audit products to address matters from the FY 2018 Committee on Appropriations Report, (H. Rep. 115-224 at 133). We believe audit work on the areas of direct labor hour requirements, program fees, and reportable expenditures as highlighted by the Committee on Appropriations will assist the agency in the ongoing review and improvement of risk management. In support of Agency's strategic goals, the intended objective is to determine the effectiveness on implementing enhanced CNAs Cooperative Agreements and NPAs compliance reviews.