



## Office of Inspector General

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

355 E ST SW  
Washington, DC 20024

March 12, 2021

#### MEMORANDUM

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

Tina Ballard  
Executive Director  
U.S. AbilityOne Commission

FROM: Thomas K. Lehigh  
Inspector General

SUBJECT: Audit of the Central Nonprofit Agency Selection of Nonprofit Agencies for  
Project Assignment and Allocation of Orders

We are pleased to provide the performance audit report on the Central Nonprofit Agency (CNA) Selection of Nonprofit Agencies (NPAs) for Project Assignment and Allocation of Orders, conducted by CliftonLarsonAllen LLP (CLA), an independent public auditor. CLA was engaged by the U.S. AbilityOne Commission, Office of Inspector General (OIG) to conduct the performance audit and issue its report. The objective of the performance audit was to assess the extent to which the implementation of the project assignment and allocation process by the CNAs is effective and follows applicable laws and regulations as well as established policies and procedures.

To answer the audit objective, the CLA team interviewed key officials from the CNAs and the Commission and spoke with selected leaders from the NPA community. The team also collected and reviewed key documents containing suitable criteria, collected and analyzed relevant data, and identified and reviewed the Commission and CNAs' policies and procedures relating to the fair, equitable, and transparent selection of NPAs for Project Assignment and Allocation of Orders. As part of their audit field work, the team determined whether the CNAs and the Commission established clear roles and responsibilities under these policies, whether they took measures to implement them, and identified concerns that officials from the CNAs and Commission had with implementing these policies.

Overall, the performance audit concluded that while the CNAs' project distribution processes were generally effective and followed applicable laws, regulations, and established guidance from the Commission, the CNAs' distribution processes could be improved with updated

guidance, better Commission management, and additional oversight from the Commission. CLA identified several opportunities for the Commission to improve the CNAs' processes by clarifying their current guidance and requiring the CNAs to fully align their project distribution policies with Commission policy 51.301 (*Selection of NPAs for Project Assignment and Allocation of Orders and its related Interim Pilot Test*).

The report provides opportunities for improvement in seven areas and offers seven recommendations to help the Commission improve its controls over the CNAs' project distribution processes and their effectiveness in helping the Commission achieve its policy goals.

We appreciate the assistance of the Commission and the CNAs during the course of the audit.

cc: Kelvin Wood  
Chief of Staff,  
U.S. AbilityOne Commission

Amy Jensen  
Director, Business Operations  
U.S. AbilityOne Commission



CliftonLarsonAllen LLP  
CLAconnect.com

**Performance Audit Report  
on the  
Central Nonprofit Agency Selection of Nonprofit Agencies for Project  
Assignment and Allocation of Orders**

**For  
U.S. AbilityOne Commission  
Office of Inspector General**

**Performance Audit  
by  
CliftonLarsonAllen LLP**

**March 12, 2021**



# Results in Brief

## *Performance Audit Report on the Central Nonprofit Agencies Selection of Nonprofit Agencies for Project Assignment and Allocation of Orders*

Office of Inspector General Report No. 21-03. Report Date: March 12, 2021

### **Why We Performed This Audit**

We engaged CliftonLarsonAllen LLP to conduct a performance audit of the Central Nonprofit Agencies (CNA) Selection of Nonprofit Agencies (NPA) for Project Assignment and Allocation of Orders for the AbilityOne Program. Our audit objective was to assess the extent to which the implementation of the project assignment and allocation process by the CNAs is effective and follows applicable laws and regulations as well as established policies and procedures.

### **What We Audited**

Our scope included National Industries for the Blind and SourceAmerica's policies and procedures for making recommendations to the Commission for NPAs' project assignments and allocation of orders. This includes the distribution of project assignments and allocation of orders to NPAs and base supply centers. We reviewed the project assignments made by the CNAs during fiscal years 2018, 2019, and 2020. We also reviewed reported job growth data and appeals filed by NPAs during this period. We then compared our findings to those reported by the U.S. Government Accountability Office (GAO) in 2013.

### **What We Recommend**

We made seven recommendations to address weaknesses in the Commission's controls over the CNAs' project distribution processes. Implementing these recommendations will improve the Commission's controls over the CNAs' project distribution processes and improve their effectiveness in helping the Commission administer the program. In commenting on a draft of this report, the Executive Director of the Commission concurred with five findings and partially concurred with two findings, but stated that it would implement action to address all seven recommendations by the end of 2021.

### **What We Found**

Overall, we concluded that the CNAs' project distribution processes were generally effective and followed applicable laws, regulations, and established guidance from the Commission. However, CNAs' distribution processes could be improved with updated guidance, better management, and additional oversight from the Commission. We identified several opportunities for the Commission to improve the CNAs' processes by clarifying their current guidance and requiring the CNAs to fully align their project distribution policies with Commission policy 51.301 *Selection of NPAs for Project Assignment and Allocation of Orders* and its related *Interim Pilot Test* policy. Specifically,

- The interim policy has been subject to legal challenges and federal courts have questioned the Commission's authority to conduct the pilot tests. The CNAs' adoption of the Commission's interim test pilot policy has been delayed because the Commission has not clarified whether this is required and has not provided the CNAs with sufficient programmatic guidance on the goals and timelines, and risks for the pilot program
- Resolution of CNAs following stated Commission guidance requires the Commission addressing several issues that remain unresolved since 2018. This has delayed NIB from completing its order allocation policy as well as the distribution process and alignment of its policies with Commission guidance.

The Commission should improve the effectiveness of the CNAs' project distribution processes in meeting the Commission's goals for the equitable and transparent distribution of project opportunities among NPAs by establishing additional controls to oversee the CNAs. Specifically,

- The Commission's policy 51.301 is outdated and does not define the meaning of the terms equitable and transparent distribution of projects although GAO recommended updating this policy in 2013.
- Most project opportunities and related sales dollars continue to go to the larger NPAs. During FY 2018 – FY 2020 small NPAs received less than 20% of total project assignments and less than 10% of total sales during the period. The CNAs do not fully consider the size of NPAs when making assignments.
- The Commission also has not studied whether different sized NPAs receiving a mix of project opportunities could help increase the number of people employed through the program and the Commission's understanding of whether project assignments are transparent is limited.

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CLA (CliftonLarsonAllen LLP)  
901 North Glebe Road, Suite 200  
Arlington, VA 22203-1853  
571-227-9500 | fax 571-227-9552  
CLAconnect.com

Thomas K. Lehrich  
Inspector General  
Office of Inspector General  
U.S. AbilityOne Commission  
2331 Mill Road, Suite 505  
Alexandria, VA 22314

### **TRANSMITTAL MEMO**

The Office of the Inspector General (OIG) engaged CliftonLarsonAllen LLP (CLA) to conduct a performance audit and report on the Central Nonprofit Agency (CNA) Selection of Nonprofit Agencies (NPAs) for Project Assignment and Allocation of Orders for the AbilityOne Program. The purpose of the performance audit was to assess the extent to which the implementation of the project assignment and allocation process by the CNAs is effective and follows applicable laws and regulations as well as established policies and procedures. We conducted this performance audit in accordance with generally accepted government auditing standards in Washington, DC from July 1, 2020 – January 19, 2021.

We reviewed the internal controls the CNAs and the Commission had in place for managing and overseeing the CNAs project distribution processes. We did not review the Commission's overall system of internal controls and their sufficiency for the AbilityOne Program or other matters not specifically outlined in the enclosed report. Because our review was limited to these internal control components and underlying principles, it may not have disclosed all the internal control deficiencies that may have existed at the time of this audit. Further, CLA cautions that projecting the results of our performance audit to future periods is subject to the risks that conditions may materially change from their current status.

We obtained the information included in the report from the Commission and CNAs on or before January 19, 2021. We have no obligation to update our report or to revise the information contained herein to reflect events and transactions occurring subsequent to January 19, 2021.

We provided our draft audit report to the U.S. AbilityOne Commission for comment on February 22, 2021, and received comments on March 9, 2021. We considered management's comments on the draft audit report in finalizing this report and a complete copy of these comments are included in Appendix V.

We thank the Commission, National Industries for the Blind, SourceAmerica, and NPA staff for the cooperation and assistance provided to us during the audit.

**CLIFTONLARSONALLEN LLP**

Arlington, VA  
March 12, 2021

**U.S. AbilityOne Commission Office of Inspector General**  
**Audit of the CNAs Selection of NPAs for Project Assignment and Allocation of Orders**

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***BACKGROUND***

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Enacted in 1938, the Wagner-O'Day Act established the Committee on Purchases of Blind-Made Products to provide employment opportunities for the blind. In 1971, Congress amended and expanded the Wagner-O'Day Act with the Javits-Wagner-O'Day (JWOD) Act<sup>1</sup> to include persons with other severe disabilities. The 1971 amendments also changed the name of the Committee to the Committee for Purchase from People Who Are Blind or Severely Disabled to reflect the expanded capabilities of the JWOD Program. The program is currently a source of employment for approximately 45,000 people who are blind or have significant disabilities through contracts across all fifty states and U.S. territories and includes over 500 nonprofit agencies (NPAs).

In 2006, the JWOD Program was renamed the AbilityOne Program and the Committee took on the branded name of the U.S. AbilityOne Commission (herein after referred to as the Commission). The Commission is composed of fifteen Presidential appointees: eleven members representing federal agencies and four members serving as private citizens from the blind and disabled community, bringing their expertise in the field of employment of people who are blind or have significant disabilities. In 2020, the Commission has approximately 30 full-time employees that administer and oversee the AbilityOne Program (herein after referred to as the program). The Commission oversees contracts for about \$4 billion in products and services to the federal government annually through the AbilityOne Program.

As part of overseeing these contracts through the program, the Commission maintains and publishes a list of federal contracting opportunities called the Procurement List (PL) that includes the specific products and services that the federal government can acquire to help meet their mission and needs. The Commission refers to the opportunities on the PL as "projects." The Commission oversees the distribution of these projects among NPAs affiliated with the program. These NPAs are organizations employing people who are blind or severely disabled, which provide products or services to the federal government. Once projects are included on the PL, the projects remain there unless removed by notice and comment in the federal register and the NPA that initially received the procurement order can continue to provide the products or services, although other NPAs may be authorized to provide the services in certain circumstances.

Under the JWOD Act and its implementing federal regulations,<sup>2</sup> the Commission is responsible for establishing the rules, regulations, and policies of the program. The Commission delegates some responsibility to its Central Nonprofit Agencies (CNAs), to help the Commission administer the program, including recommending which NPAs to assign to a particular project. Under the regulations, after a project is added to the PL by the Commission, the CNAs are required to distribute these opportunities to NPAs fairly and equitably when the CNA has approved two or more NPAs for a specific opportunity and maintained the necessary records and data on its NPAs in order to do so.<sup>3</sup> The CNAs are also required to monitor and assist its NPAs to meet the statutory and regulatory requirements for full participation in the program.

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<sup>1</sup> Senator Jacob K. Javits sponsored this legislation in 1971. See 41 U.S.C. §§8501-8506.

<sup>2</sup> See title 41 of the U.S. Code of Federal Regulations, chapter 51. See parts 51-2.2, 51-3.2, and 51-3.4.

<sup>3</sup> See title 41 of the U.S. Code of Federal Regulations parts 51-3.2(g) and 51-3.4.

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The CNAs distribute projects to NPAs through two types of opportunities:

- Project assignments for new opportunities occur when the CNA identifies one or more qualified NPAs to develop a product or service, resulting in a recommendation that the Commission may eventually add to the PL.
- Order allocations occur when the government orders a product or service that is on the Commission's PL. The CNAs allocate the order among NPAs that the Commission has designated to fulfill that particular product or service.

Each NPA is affiliated with a CNA. The CNAs include:<sup>4</sup>

- National Industries for the Blind (NIB), whose mission is to enhance the opportunities for economic and personal independence of people who are blind, primarily through creating, sustaining, and improving employment. NIB currently has about 160 employees and annual revenue of \$38.5 million. NIB publicly states that it has about 100 associated NPAs, most of which manufacture goods like office supplies, textiles, and contract support services. A number of NPAs operate base supply centers and stores at military installations and bases across the country.
- SourceAmerica (SA), whose mission is to create employment opportunities for people with significant disabilities by securing federal contracts through the AbilityOne Program for its network of community-based nonprofit agencies. SA currently has about 400 employees and annual revenue of about \$97 million. SA publicly states that it has about 700 affiliated NPAs, most of which provide services like administrative, information technology, and laundry services to government agencies.

Figure 1 below illustrates the entities and reporting relationships discussed in this report.

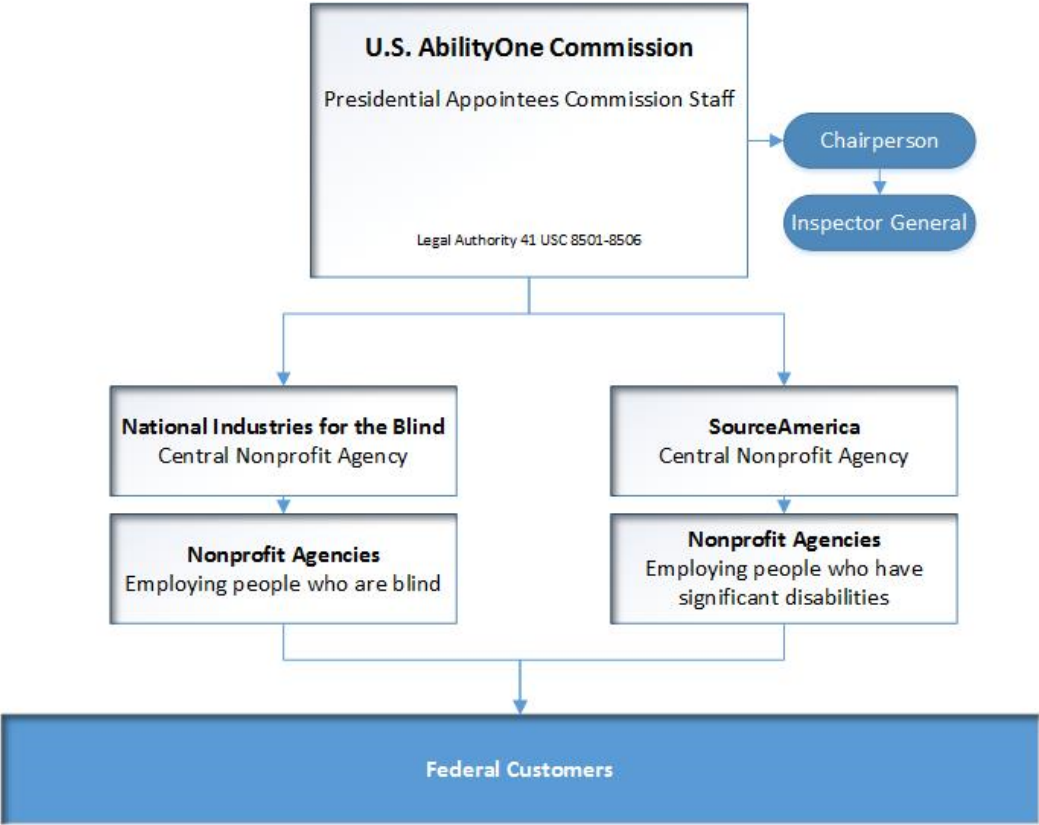
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<sup>4</sup> The Commission designated a third CNA on July 26, 2018. After over two years, the American Foundation for the Blind (AFB) withdrew from the program and during the course of this audit did not employ blind or disabled employees or have any contract or NPAs and is not part of this audit's scope. The Commission has not publicly provided the results of the research completed during phase one of the designation of AFB.



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**Figure 1: AbilityOne Program Organization**



Source: AbilityOne Commission

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***FINDINGS***

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The CNAs updated their processes and associated policies for recommending NPAs for federal contracting opportunities and we found that the CNAs generally follow applicable guidance. This includes federal regulations as well as the Commission's May 2012 policy on the *Selection of NPAs for Project Assignment and Allocation of Orders (policy 51.301)*. The Commission's policy requires the CNAs to distribute federal contracting opportunities and to document their recommendations to assign a project or allocate an order to a NPA in accordance with all applicable policies and procedures. *For the purposes of this report, we refer to opportunities and projects interchangeably unless otherwise specified.*

We found that the CNAs processes for recommending NPAs to the Commission for federal contracting opportunities through project assignments and allocations generally follow applicable Commission guidance, but could be improved with stronger Commission oversight and program management. The Commission policies are outdated and limit the effectiveness of the CNAs' project distribution processes.

We found the CNAs' processes would benefit from better Commission guidance and oversight. We identified several opportunities for the Commission to improve the CNAs' processes by improving and clarifying their current guidance, harmonizing with the cooperative agreements, and assisting the CNAs with alignment of their project distribution policies. The Commission's policy 51.301 *Selection of NPAs for Project Assignment and Allocation of Orders* is outdated and its related Interim Pilot Test policy creates risks because of the following issues.

- The Interim Test Policy has been subject to legal challenges and federal courts have questioned the Commission's authority to conduct the pilot tests. The CNAs' adoption of the Commission's interim test pilot policy has been delayed because the Commission has not clarified whether this is required and has not provided the CNAs with sufficient programmatic guidance on the goals, timelines, and risks associated with the pilot program.
- Resolution of CNAs following stated Commission guidance requires the Commission addressing several issues that remain unresolved since 2018. This has delayed NIB from completing its order allocation policy as well as the distribution process and policies alignment with Commission guidance.

**COMMISSION COULD IMPROVE THE CNAS' DISTRIBUTION PROCESSES' COMPLIANCE BY MORE CONSISTENTLY COMMUNICATING GUIDANCE**

In 2013, the U.S. Government Accountability Office (GAO) reviewed the AbilityOne Program, including the Commission and the CNAs' policies for recommending NPAs for federal contracting opportunities. In its report,<sup>5</sup> GAO recommended that the Commission enter into a written agreement with each CNA within reasonable established timeframes to promote greater accountability for program effectiveness, efficiency, and integrity. The Commission concurred with this recommendation, however, was unable to establish the written agreements for over three years, until Congress mandated the written agreements be implemented in 2016. In June 2016,<sup>6</sup>

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<sup>5</sup> *Employing People with Blindness or Severe Disabilities, Enhanced Oversight of the AbilityOne Program Needed*, report GAO-13-457, dated May 2013.

<sup>6</sup> OIG reported on this event in the *Cooperative Agreement Audit*, AbilityOne Office of Inspector General, April 2020.

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the Commission established its initial written cooperative agreements with the CNAs. The purpose of these agreements is to formally establish expectations and guidance for the Commission and CNA in relation to the implementation and management of the AbilityOne Program.

Under the agreements, each CNA is required to submit its policies and procedures for making recommendations for project assignment or order allocations every three years or when the CNA makes substantive changes to its policies, to the Commission for review. In 2017, the Commission reviewed the CNAs' policies governing their distribution processes. During these reviews, the Commission did not identify any lack of compliance with applicable laws and regulations, but found that each CNA could improve its policies to better align with policy 51.301. We found that while the CNAs updated their processes and associated policies, the lack of modernization and synchronization with the Commission policies, as well lack of execution on a regulatory agenda delayed NIB's ability to improve its policies. Therefore, additional steps could be taken to help NIB improve its policies as discussed below.

**NIB Distribution Process and Policies Not Fully Updated Due to Lack of Commission Guidance and the Commission Staff Failure to Work on Comments and Respond to NIB**

The Commission found some deficiencies in NIB's processes for recommending NPAs for federal contracting opportunities in 2017. For example, the Commission found that NIB's policy lacked sufficient documentation to support its recommendation decisions. The Commission also found that NIB had insufficient staffing and unqualified evaluators for reviewing these projects, among others.

In response, NIB updated its project assignment policy in 2017. This included improving its requirements for documenting its recommendations decisions. NIB also conducted an internal review of its updated policy and its Board of Directors approved it on October 3, 2017.<sup>7</sup> We reviewed NIB's updated policy and processes and found that these documents were consistent with the changes that it said it would make in response to the Commission's review. Our analysis does not preclude the Commission from making other recommendations to improve the alignment between NIB's distribution process and policies with policy 51.301. Please see Appendix II for an illustration of NIB's recommendation process.

NIB disagreed with several of the Commission's findings, but the Commission staff did not follow-up or respond to NIB's comments. This included the finding about insufficient staffing and unqualified evaluators for reviewing opportunities, and several other issues. NIB sent a letter to the Commission in January 2018 detailing these differences and asked the Commission for additional information. NIB officials told us that they would like to resolve these issues so they can further update their project assignment policy, but they have not received a response from the Commission after nearly three years. NIB submitted its policy for review to the Commission again in December 2020 under the terms of its cooperative agreement.

The Commission has not provided its rationale for the nearly three-year delay in responding to NIB. We asked the Commission for the reasons during the course of the audit and did not receive a response. The Commission, under the *Standards for Internal Control in the Federal Government*,<sup>8</sup> is responsible for developing and implementing control activities through its policies and procedures to ensure that the Commission achieves its objectives. While the Commission

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<sup>7</sup> See NIB Policy 6.1, *NIB Policy on Assignment*, October 2017.

<sup>8</sup> See principles 10 and 12 in report GAO-14-704G, dated September 2014.

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designed and implemented controls for reviewing the CNAs' policies, the three-year delay in responding to NIB's comments and questions calls into question the effectiveness of this control. The delayed response may have limited NIB's ability to comply fully with Commission policy because several questions about its project assignment policy remain unresolved.

NIB officials told us that they had been following their project assignment policy when making recommendations about order allocations. They did say that NIB plans to issue an order allocation policy by the end of 2020. However, until this policy is implemented, NIB may not be complying fully with Commission guidance for developing processes for order allocations.

**SA Distribution Process and Policies Fully Updated to Address Prior Deficiencies Identified by the Commission**

The Commission found some deficiencies in SA's processes in its 2017 review. For example, SA could improve the methodology it used for the technical evaluations of NPAs' suitability for projects. The Commission found one project opportunity where SA did not identify a technical Subject Matter Expert (SME), which resulted in a recommendation to ensure there is a technical SME on every opportunity evaluation team. The Commission also noted that SA's selection criteria should include "special considerations" for selecting NPAs under certain criteria. Under policy 51.301, this would include special considerations for NPAs that lost work through no fault of their own or were trying to employ a significant number of wounded warriors, service-disabled veterans or veterans with significant disabilities, and in other special situations. The Commission also identified the need for SA to include a specific process or tool for recommending smaller NPAs for projects in its policy.

In response, SA issued three updated policies in June and July 2020 to address the Commission's findings. SA took steps to ensure their policies addressed the Commission's recommendations by internally reviewing its updated policies and shared these updates with the Commission in 2020.<sup>9</sup> These policies covered SA's role as a CNA and its responsibilities for recommending NPAs for both project assignments and order allocations.<sup>10</sup>

We reviewed and analyzed SA's updated policies and processes for recommending NPAs for projects. Our review indicates that SA updated its policies to follow the recommendations the Commission made, including updating its evaluation process and including special considerations in its recommendation criteria. Its update of special considerations included a statement about considering a smaller NPA(s) for projects over a larger NPA when the small NPA might have the ability to provide the good or service when the risk in doing so is low, even if the larger proposal is better according to SA. We discuss the importance of this requirement in more detail below. SA submitted its policies to the Commission for formal review in January 2021 under the terms of their cooperative agreement. Our analysis does not preclude the Commission from making other recommendations to improve the alignment between SA's distribution process and policies with policy 51.301. Please see Appendix III for an illustration of SA's recommendation process.

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<sup>9</sup> SA also internally audited the controls related to its project distribution processes in 2019.

<sup>10</sup> See SA policies: USOP1-1003, Version C, *Nonprofit Agency Recommendation Policy – AbilityOne Opportunity*, 07/20/2020; USOP2-0035, Version F, *NPA Recommendation Process Procedure for AbilityOne Opportunity*, 07/20/2020; USOP2-0030, Version C, *Order Allocation Procedures for AbilityOne Products*, 06/16/2020.

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**CNAS HAVE NOT IMPLEMENTED INTERIM TEST PILOT POLICY AND THE COMMISSION NEEDS TO ISSUE ADDITIONAL GUIDANCE TO THE CNAS ON THE PILOT PROGRAM AND CLARIFY ITS AUTHORITY AND PURPOSE OF THE PILOTS**

The CNAs have not updated their project distribution processes to reflect the Commission's June 2019 *Interim Pilot Test Policy for Selection of Nonprofit Agencies for Project Assignment and Order Allocation* (policy 51.301.1).<sup>11</sup> The purpose of the interim policy and the pilot test are unclear. During the course of the audit it was explained that the purpose of the pilot tests is to assess the benefits of considering NPA's technical capability, past performance, and price in a manner similar to other federal procurement competitions in order to competitively reallocate a project already on the PL (i.e., an order allocation) and establish a fair market price. The interim policy requires the CNAs to participate in the pilot tests as requested, follow the Commission's instructions, and obtain Commission concurrence or approval for any change in their processes required by the pilot test.

The Commission may need additional authority to implement the pilots. The pilot tests stem from recommendations made by the Panel on Department of Defense (DOD) and AbilityOne Contracting Oversight, Accountability, and Integrity (the 898 Panel) to develop a policy similar to other federal source selection procedures.<sup>12</sup> Congress charged the panel with reviewing the effectiveness and internal controls of the AbilityOne Program related to DOD contracts. This includes recommending ways for exploring opportunities to increase competition among NPAs, and for ensuring equitable selection and allocation of NPAs for DOD work. However, two federal courts that heard challenges to the pilot program have questioned the Commission's legal authority to conduct the pilots.

- In *Melwood*,<sup>13</sup> the U.S. Court of Federal Claims expressed "grave concerns about the legality of the Pilot Program and AbilityOne's execution of it." Per the court's decision, the 898 Panel and the Commission have "at best, ambiguous authority to implement new procurement procedures that widely diverge from those explicitly outlined in JWOD."<sup>14</sup> Despite dismissing the case for lack of subject matter jurisdiction, the court remained "skeptical of whether the 898 Panel or AbilityOne may lawfully conduct a program that ignores, or runs directly counter to, the policy goals outlined by JWOD."
- In *Pride*,<sup>15</sup> the U.S. District Court for the Eastern District of California noted in dicta that the Pilot Program "appears to significantly modify if not abandon statutorily prescribed pricing and allocation processes."

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<sup>11</sup> The Commission also issued procedures for implementing post-decision debriefings and the appeals process under the interim policy in January 2020.

<sup>12</sup> Section 898 of the 2017 National Defense Authorization Act (Public Law 114-328). The recommendation was included in the panel's *Second Annual Report to Congress for the Period of August 1, 2018 to October 31, 2019* (dated January 2020).

<sup>13</sup> *Melwood Horticultural Training Center, Inc., v. Comm. for Purchase From People Who Are Blind or Severely Disabled*, No. 20-758C, 2020 WL 7021435 (Fed. Cl. Nov. 30, 2020).

<sup>14</sup> *Id.* The court continued that a "plain reading of the NDAA indicates that the 898 Panel is only authorized to provide *recommendations*, not implement new procedures for AbilityOne procurements."

<sup>15</sup> *Pride Industries, Inc., v. Comm. for Purchase From People Who Are Blind or Severely Disabled*, 420 F.Supp.3d 1035, note 4 (E.D. Cal. 2019).

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Since 2018, the Commission has initiated two pilot tests. The first pilot test at Fort Bliss ended in 2019 and the second pilot test at Fort Meade is ongoing. We asked the Commission for its assessment of the pilot tests, but we did not receive a response. SA participated in both pilot tests, but according to NIB, they were not asked to participate in the pilot test because the pilot focused on specific SA contracts. Commission officials told us that the pilots focus on the provision of services by NPAs at base supply centers on military bases, but they have not ruled out including NIB in future pilot tests.

SA officials told us that their role in the pilot was administrative and that the Commission managed it. SA also stated in its 2019 annual report to the Commission that the Fort Bliss Competition Pilot ended in November 2019 and the Commission and the U.S. Army customer deemed the pilot successful. SA further stated that incorporation of pricing into the NPA recommendation evaluation process ultimately resulted in desired cost savings for the federal customer. We could not confirm this information without the Commission's assessment of the pilot tests, nor could we determine the extent to which the pilot may have met the Commission's goals.

The cooperative agreements require the CNAs to follow Commission policy, but neither CNA has updated its procedures or policies to reflect the guidance in the interim pilot test policy. Officials from both CNAs told us that they have not received any instructions from the Commission to do so. However, as stated above, the Commission's interim policy requires CNAs participating in the pilot tests to follow the Commission's instructions. This includes using different procedures in some cases under the pilot tests than those the CNAs would normally use under Commission policy 51.301. However, without the Commission instructing them to update their procedures for the pilots, CNAs could be out of compliance with the Commission's interim policy when they participate in a pilot program.

In addition, the lack of guidance from the Commission on whether the CNAs need to establish processes for participating in a pilot program could limit the successful outcome of the program. As stated earlier, the Commission, under *Standards for Internal Control in the Federal Government*,<sup>16</sup> is responsible for developing and implementing control activities such as ensuring that policies and procedures are established and up to date. The lack of written policies and procedures is an internal control deficiency over the pilot program, creating risks that could affect the outcome and usefulness of the pilot tests.

Further compounding the lack of controls over the pilot tests is the Commission's lack of documentation officially stating the goals, timelines, and risks for the pilot tests. We requested this information from the Commission but did not receive a response. Furthermore, CNA officials told us they also have not received the information. In contrast, SA initiated its own pilot test<sup>17</sup> in 2016 and identified the purpose, scope, methodology. It reported the outcomes of the test in 2019. We also asked the Commission if it considered SA's pilot as an example of how to document and communicate the purpose, scope, methodology of a pilot program when developing the interim policy and/or program guidance, but we did not get a response.

The lack of communication from the Commission to the CNAs about the pilot program is contrary to *Standards for Internal Control in the Federal Government*.<sup>18</sup> The Commission is responsible for communicating with the CNAs in a manner that enables it to achieve its objectives, and for

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<sup>16</sup> See principles 10 and 12 in report GAO-14-704G, dated September 2014.

<sup>17</sup> Small Dollar Pilot Report, SourceAmerica, dated December 2016.

<sup>18</sup> See principles 10, 12, and 15 in report GAO-14-704G, dated September 2014.

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assessing the risks it might face. The lack of these controls can limit the Commission's ability to oversee the pilot program.

**EFFECTIVENESS OF THE CNAS' DISTRIBUTION PROCESSES ARE LIMITED BY OUTDATED COMMISSION POLICY THAT WAS NOT UPDATED DESPITE CRITICAL GAO REPORT**

The Commission issued its policy on the *Selection of NPAs for Project Assignment and Allocation of Orders* (policy 51.301) in May 2012 and has not updated it since its issuance more than eight years ago. Policy 51.301 requires the CNAs to develop processes for assigning projects and allocating orders that result in the fair, equitable, and transparent distribution among NPAs, taking into account the unique mission and objective of the AbilityOne program. It also established key requirements for the qualitative and quantitative criteria, and certain special considerations that the CNAs should use in distributing projects to NPAs. Lastly, it established a process for NPAs to appeal the CNAs' decisions and the circumstances under which the Commission would consider these appeals.

In its 2013 report,<sup>19</sup> GAO identified some deficiencies in policy 51.301. The report stated that policy 51.301 does not define what is meant by equitable or transparent decisions on project assignments. GAO defined these terms as follows:

- Equity as maintaining impartiality, avoiding conflict of interest and preferential treatment, and *dealing fairly* and in good faith with all parties, and as being free from bias or favoritism.
- Transparency as having written procedures that are easily understandable by all.

GAO stated that CNA and NPA officials told them that CNAs often do not fully disclose how they decide to distribute projects to their NPAs and determined that the wide latitude given to CNAs in awarding a project potentially increased the risks of biased decisions. GAO further stated that although the Commission officials have acknowledged the importance of equity and transparency in assigning projects, they have done little to indicate how to achieve these outcomes. To address this, GAO recommended that the Commission ensure that the CNAs' processes for assigning projects to NPAs resulted in an equitable and transparent distribution. GAO further stated that such action could include further developing its policy to specify procedures CNAs should follow to ensure equity and transparency in project assignment decisions.

The Commission agreed with this recommendation, but the Commission has not updated policy 51.301 and it has not defined the meaning of equity and transparency in its cooperative agreements. Commission officials told us that they had not prioritized updating policy 51.301. Several officials from the CNAs we spoke with said this lack of prioritization might have occurred because the Commission is understaffed, which creates challenges for prioritizing and completing tasks. These comments were consistent with OIG's 2019 findings that the Commission's lack of adequate staffing and resources to effectively execute its responsibilities poses a challenge for sustaining its mission to provide employment opportunities in the manufacture and delivery of

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<sup>19</sup> *Employing People with Blindness or Severe Disabilities, Enhanced Oversight of the AbilityOne Program Needed*, report GAO-13-457, dated May 2013.

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products and services to the federal government for people who are blind or have significant disabilities.<sup>20</sup>

Commission officials also told us that completing the pilot test program described above was another reason for delaying the update of policy 51.301. The pilot program also did not start until 2018, about five years after GAO made its recommendations and the legal authority for the pilots has not been established or published. This reasoning does not account for the initial delay in updating policy 51.301. Further, as we discussed above, there is no formal end date for the pilot program.

Therefore, it is unclear when the Commission might update policy 51.301. *Standards for Internal Control in the Federal Government* requires the Commission to define its objectives in specific and measurable terms to assess its progress towards achieving the objective and any risks that it might face.<sup>21</sup> The Commission's outdated policy limits the effectiveness of the CNAs and the Commission's processes and controls for achieving its policy objectives of equitable and transparent distribution of projects. Two examples of this are below.

**Example 1: Equity of Opportunities for Different Sized NPAs Appears Limited.** The CNAs' project recommendation processes continue to result in small NPAs receiving fewer projects than large and medium NPAs. The CNAs, the Commission, and Panel on DOD and AbilityOne Contracting Oversight, Accountability, and Integrity have all noted the importance of promoting opportunities for smaller NPAs and having controls in place to ensure a more equitable distribution of opportunities.

GAO identified this condition in its 2013 report and explained some of reasons for it. GAO stated that larger NPAs typically have more experience and their size creates economies of scale necessary to provide large projects for an entire federal agency or program within an agency. GAO also stated that small and mid-size affiliates may struggle to compete for AbilityOne projects for a variety of reasons, including a lack of resources for business development; or that they may only have the capacity to compete for projects in their local area; or a perceived lack of experience in a new line of business.

GAO also reported that AbilityOne and CNA officials told them that while they try to give opportunities to smaller, less experienced NPAs, opportunities for these NPAs may be limited by other factors, such as a federal customer's preference for a larger, more experienced contractor. Figure 2 shows GAO's analysis of the distribution of fiscal year (FY) 2012 projects and sales dollars, demonstrating that most projects and sales dollars went to the largest NPAs in that year.

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<sup>20</sup> See *Top Management and Performance Challenges Report*, AbilityOne, OIG report, dated December 2019.

<sup>21</sup> See principle 6 in report GAO-14-704G, dated September 2014.



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**Figure 2: Distribution of Projects by NPA Size in FY 2012**

NPA Size	Number of NPAs	Percent of Total NPAs	Percent of Projects	Percent of Sales
Large	114	20%	56%	79%
Midsize	114	20%	20%	14%
Small	342	60%	24%	7%

Source: GAO analysis of AbilityOne data. Median total sales for large affiliates was \$18.2 million, median total sales for mid-size affiliates was \$5.8 million, and median total sales for small affiliates was \$996,000.

The CNAs recognized the importance of promoting opportunities for small NPAs. They have taken actions to attempt to address this issue, including these examples.

- NIB identified a specific opportunity for small NPAs in 2018 that resulted in projects being distributed to 19 small NPAs versus 9 small NPAs the year before. NIB did not track this data for FY 2019 and FY 2020, but NIB officials said that NIB will track the number of opportunities they seek for small NPAs going forward and that NIB continues to look for these opportunities.
- SA conducted a pilot program in 2016 to learn how to increase the opportunities for small to mid-sized NPAs. SA revisited this issue again in 2019 and conducted a survey with the National Council of SourceAmerica Employers to assess and increase small NPA participation.

However, these efforts have not resulted in the CNAs including comprehensive criteria for evaluating the size of NPAs for project assignments. While both policies state they focus on the fair and equitable distribution of assignments, the CNAs focus their selection criteria on the overall capability of the NPAs to deliver the product and service and consider several factors other than size in doing so. SA does generally consider smaller NPAs as one of its criteria when it determines that it can apply its special considerations criteria. To be fair, as we discussed above, the CNA's policies are consistent with the guidance they have received from the Commission.

The Commission annually assesses both CNAs' efforts to distribute projects equitably among its NPAs, but its metrics do not include reviewing the size of NPAs. The acceptable quality level metric that the Commission utilizes to assess the CNAs' performance is on the timing of submitting policy and process changes to the Commission and the quality of the submissions. It also includes an equitable distribution component that requires three examples of the following: equitable allocations, expansions of NPA opportunities into a different line of business, and/or an increase in recommendations resulting in additions to the PL. While this metric clearly takes distribution of assignments into account, it does not factor in the size of the NPAs.

The 898 Panel also recognized the importance of this issue. Its 2018 report to Congress stated that the Commission does not have a policy for creating incentives for inclusion and mentoring smaller NPAs and opportunities on DOD contracts. To address this policy omission, the panel recommended that the Commission create these incentives. The Commission agreed with this

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recommendation and stated that it will increase its emphasis and attention to mentoring the smaller NPAs so that they can more fully participate in the program.

While the CNAs and the Commission have taken these actions, their efforts have not improved the distribution of opportunities across different sized NPAs. We reviewed both CNAs' project assignments for FY 2018 through FY 2020. NIB provided us data showing that it made 525 project assignments during the period and SA provided us data showing that it made 201 assignments during the period. We found the distribution of projects in this period similar to what GAO previously reported in 2012. As shown in Figure 3 and Figure 4, most projects and sales dollars generally went to the larger NPAs, with small NPAs receiving less than 20% of total project assignments and less than 10% of total sales during the period. Additional information on the project assignment trends for FY 2018 – FY 2020 are available in Appendix IV.

**Figure 3: NIB Distribution of Project Assignments by NPA Size in FY 2018 – FY 2020**

NPA Size	Average Number of NPAs per Year	Average Percent of Total NPAs per Year	Percent of Project Assignments	Percent of Sales
Large	14	21%	33%	47%
Midsize	25	39%	52%	45%
Small	25	39%	16%	8%

Source: CLA analysis of NIB data. Large NPAs have more than 150,000 in annual direct labor hours, Medium NPAs have 50,000 to 149,000 annual direct labor hours, and small NPAs have less than 50,000 direct labor hours.

**Figure 4: SA Distribution of Project Assignments by NPA Size in FY 2018 – FY 2020**

NPA Size	Average Number of NPAs per Year	Average Percent of Total NPAs per Year	Percent of Project Assignments	Percent of Sales
Large	163	23%	74%	90%
Midsize	141	20%	10%	2%
Small	415	58%	16%	8%

Source: CLA analysis of SA data. Large NPAs have annual sales greater than \$2,000,000, medium NPAs have annual sales between \$250,000 and \$2,000,000, and small NPAs have annual sales of less than \$250,000.

According to GAO, another reason that larger NPAs continue to have more opportunities than smaller NPAs is that smaller NPAs lack the resources for business development and respond to opportunities at a lower rate than larger NPAs. For example, data provided by SA showed that from FY 2018 – FY 2020 there were a total of 633 proposals submitted by all NPAs. Of these:

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- 460 proposals or 73% were submitted by large NPAs
- 66 proposals or 10% were submitted by medium NPAs
- 107 proposals or 17% were submitted by small NPAs

This is consistent with the statements of the Chief Executive Officers (CEOs) of two NPAs we spoke with, who are prominent leaders of NPA affiliate groups for both NIB and SA. The CEOs said that small NPAs have a very difficult time finding opportunities, unless the CNAs are helping them find projects. Nonetheless, as shown in Figure 5, it is notable that SA's small NPAs had higher win ratios in FY 2018 and FY 2019 than large and medium NPAs, but then had a lower win ratio in FY 20.

**Figure 5: SA Large versus Small NPA Win Ratio FY 2018-2020**

Year	Large NPA Win Ratio	Medium NPA Win Ratio	Small NPA Win Ratio
FY 2018	29.1%	25.9%	32.3%
FY 2019	34.1%	31.8%	34.2%
FY 2020	32.9%	35.3%	26.3%
<b>Average</b>	<b>32.0%</b>	<b>31.0%</b>	<b>30.9%</b>

Source: CLA analysis of SA data

However, the Commission does not monitor the distribution of CNA recommendations year-over-year, although this information is available in the CNAs' annual reports. As stated in *Standards for Internal Control in the Federal Government*, internal controls have to be adapted continually to the risks and changes an entity faces. Monitoring is essential in helping internal control remaining aligned with changing objectives and risks.<sup>22</sup> Our analysis shows that the benefits of monitoring the distribution of projects to different-sized NPAs could help the Commission identify and take appropriate corrective actions to update its key controls over the assignment recommendation process. This would include updating policy 51.301 and related controls to better define the equitable distribution of opportunities among NPAs, and whether CNAs should include specific criteria for considering the size of NPAs when making recommendation decisions, as SA did in updating its project assignment policy to include considering small NPAs as one aspect of its special considerations criteria.

Further, a better understanding of equitable project distribution over time could help the Commission address the downward trend from FY 2011 to FY 2018 in the number of people working in the program and the hours they worked, reported by the National Council on Disability (NCD).<sup>23</sup> This trend continued for the number of people working in the program in FY 2019, although the number of hours they worked increased slightly by 0.59% over FY 2018. The Commission has not determined how the assignment of projects among NPAs affects the creation

<sup>22</sup> See principles 16 and 17 in report GAO-14-704G, dated September 2014.

<sup>23</sup> See Policies from the Past in a Modern Era: The Unintended Consequences of the AbilityOne Program & Section 14(c), The National Council on Disability, October 2014.

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of employment opportunities, if at all. As part of its recommendation to the Commission about ensuring transparent and equitable distribution, GAO further stated that such action could include performing a study to determine if and how the distribution of projects among NPAs affects the number of jobs for people who are blind or have severe disabilities. The Commission agreed with this recommendation, but it has not performed this study.

**Example 2: Understanding of Transparency is Limited.** The Commission's policy 51.301 requires the CNAs to develop processes for assigning projects and allocating orders that result in the transparent distribution of opportunities among NPAs. Commission policy further requires the CNAs to establish an appeals process for these decisions, and states that the Commission will hear appeals only in certain circumstances where the CNA did not follow its established policies and procedures, did not properly document its decision, or selected an NPA that did not meet the minimum criteria for the assignment.

In 2013, GAO reported that the Commission policy limited transparency because it did not define when (a) CNAs could use special considerations for making recommendations, (b) did not require the CNAs to disclose when they were using special considerations to make recommendations, and (c) did not specify how to document these decisions. GAO stated that such information would be critical to assessing whether the assignment decision was impartial and free from bias. As GAO reported, the CNAs had written procedures in place in 2013 for reviewing appeals, but the Commission had not developed its own separate written appeals policy and procedures as required by policy 51.301, which would allow for a second level of appeal. At the time, Commission officials told GAO that having written policies was important in addressing potential perceptions that decisions lacked transparency or could appear biased. Nonetheless, we determined that the Commission has reviewed appeals by NPAs, but it has not developed and implemented a separate appeals policy.

However, the Commission has taken other steps to improve transparency. As part of its 2017 review, the Commission required the CNAs to update their policies to include more criteria on using special considerations, and document and communicate their recommendation decisions to NPAs. It also requires SA to include the number of appeals it receives in its annual reports to the Commission, but it does not require NIB to do so.

As shown in figure 6, NPAs made very few appeals compared to total project assignments from FY 2018 through FY 2020. Two of the appeals resulted in the Commission overturning the SA's recommendations.

**Figure 6: Appeals of CNA Assignments FY 2018 – FY 2020**

CNA	Total Assignments FY 2018 – FY 2020	Total Appeals FY 2018 – FY 2020	Overtured Decisions FY 2018 – FY 2020
NIB	525	0	0
SA	201	4	2
<b>Total</b>	<b>726</b>	<b>4</b>	<b>2</b>

Source: CLA analysis of CNA and Commission data and documentation

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In the absence of the Commission defining transparency as GAO recommended, we used the appeals data as a potential measure of progress towards this policy objective. *Standards for Internal Control in the Federal Government* require the Commission to define its objectives in specific and measurable terms to assess performance toward achieving the objective and to control risks to achieving these objectives.<sup>24</sup> The appeals data in Figure 6 appears to indicate that the CNAs' recommendation decisions were transparent, but this is only one potential measure.

Without a definition of transparency, we are unable to evaluate whether the Commission's criteria for assessing SA's annual performance in this area is effective. The Commission does not assess NIB in this area. The Commission assesses SA's performance annually in this area based on the number of recommendation decisions that the Commission overturns. The acceptable quality level metric is no more than one overturned decision in any given year. The Commission overturned one of SA's recommendation decisions in both FY 2019 and FY 2020.

Further, under *Standards for Internal Control in the Federal Government*, performance measures for quantitative objectives may be a targeted percentage or numerical value, do not require subjective judgments to dominate their measurement, and are stated in a quantitative or qualitative form that permits reasonably consistent measurement. As shown in figure 6, the Commission reviewed three SA appeals in FY 2019 and one in FY 2020, overturning one recommendation in each year. These results could also subjectively be read as percentages—the Commission overturned 33% of the appeals it reviewed in FY 2019 and 100% of the appeals in reviewed in FY 2020—that can also permit reasonably consistent measurements if they are monitored over time, particularly if the number of appeals were to increase. Viewing the result of the appeal decisions either way could result in different assessment outcomes, which runs contrary to the standards for performance measures.

Even when taking CLA's and the Commission's measures together, they may not provide a full picture as the Commission may need other contextual information to measure whether it is achieving its transparency objective. For example, identifying the total number of appeals during any period does not capture why some NPAs may or may not have decided to appeal any specific decision by a CNA. We also discussed potential reasons for the low number of appeals with the two CEOs of NPAs who are also are prominent leaders of NPA affiliate groups for both NIB and SA. As part of our discussion, we asked whether there is a perception that an NPA could face retaliation by a CNA if they appeal a decision. The CEOs' responses to this question were inconclusive. One CEO mentioned that they had heard of NPAs electing not to appeal decisions because of a perception of potential retaliation, while the other CEO had not.

Moreover, as GAO reported, potential bias can also affect transparency, but the two measures discussed above, and the potential threat of retaliation, do not capture any indicators of potential bias in the CNAs' processes. The Commission and CNA officials we spoke with echoed several of the comments made by their colleagues to GAO in 2012 and said that federal agencies prefer larger, more experienced NPAs, which makes it more challenging for smaller NPAs to get into new lines of business. These officials also told us that smaller NPAs have limited business development resources and may not have the capacity to apply for some projects.

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<sup>24</sup> See principle 6 in report GAO-14-704G, dated September 2014.

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NCD also identified the capability limits of small NPAs as an issue. As part of its 2020 report,<sup>25</sup> NCD conducted a limited survey of NPAs and reported that smaller NPAs struggle to maintain as much involvement in the AbilityOne Program as larger agencies. NCD found that this was particularly the case with NPAs in the Midwest, which reported that they were unable to afford the costs of travel and lodging for CNA or AbilityOne Program trainings. This limited their ability to compete for projects in the past. However, NIB stated that it shifted to more virtual training in FY 2020 due to the COVID-19 pandemic. This could reduce or eliminate the impact of travel costs on the ability of NIB's smaller NPAs to obtain training if NIB continues to provide virtual training going forward.

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<sup>25</sup> See Policies from the Past in a Modern Era: The Unintended Consequences of the AbilityOne Program & Section 14(c), The National Council on Disability, October 2014.

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***CONCLUSIONS AND RECOMMENDATIONS***

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Overall, we concluded that the CNAs' project distribution processes were generally effective and followed applicable laws, regulations, and established guidance from the Commission. However, CNAs' distribution processes could be improved with updated guidance, better management, and additional oversight from the Commission. Specifically, the Commission's policy 51.301 is outdated and does not define the meaning of the term equitable and transparent distribution of projects, although GAO recommended updating this policy in 2013. We also identified opportunities for the Commission to improve the processes by clarifying their current guidance and requiring the CNAs to fully align their project distribution policies. While NIB's distribution process and policies do not fully comply with Commission policy 51.301, the lack of follow up and work by the Commission staff prevents optimal implementation by the CNAs and requires resolution of several issues that remain unresolved since 2018, which in our view represents a lost opportunity over a three-year period to improve the project assignment process. The Commission also needs to clarify whether NIB needs to complete its order allocation policy.

Further, the Commission needs to clarify its authority for conducting the pilot tests and determine whether both CNAs need to update their project distribution policies to incorporate the Commission's interim test pilot policy 51.301.01. In doing so, the CNAs would benefit from the Commission providing them with any programmatic guidance on the goals and timelines, and risks for the pilot tests. The results of the audit also indicate that implementing interim programs or pilots may not be a sufficient reason to delay revisions of an outdated policy because continued operation of Commission activities under the policy, or through interim programs and pilots, can create risks that could limit the successful implementation of the pilot program.

The Commission should improve the effectiveness of the CNAs' project distribution processes in meeting the Commission's goals for the equitable and transparent distribution of project opportunities among NPAs by establishing additional controls to oversee the CNAs. Further, most project opportunities and related sales dollars continue to go to the larger NPAs, likely because the CNAs do not fully consider the size of NPAs when making assignments and the Commission does not monitor whether these assignments are helping it achieve its policy goal of equitable project distribution.

The Commission also has not studied whether different sized NPAs receiving a mix of project opportunities could help increase the number of people employed through the program or the hours they worked. Moreover, the Commission's understanding of whether project assignments are transparent is limited. Although NPAs filed very few appeals of assignment decisions, the Commission has not identified metrics for assessing progress towards its policy goal of transparent distribution of projects.

Based on our conclusions, we recommend that the Commission take the following actions to improve its controls over the CNAs project distribution processes and their effectiveness in helping the Commission achieve its policy goals:

1. Develop programmatic guidance on the interim pilot test program goals and provide it to the CNAs to help ensure the program achieves its goals, consistent with *Standards for Internal Controls in the Federal Government*. This includes:
  - a. Clarify its authority for conducting the pilot program to address recent federal court decisions that questioned whether the Commission has this authority.

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- b. Clarifying whether the CNAs need to update their project distribution policies to incorporate the changes for the pilot test program.
2. Update policy 51.301 to include clarifying the meaning of equitable and transparent distributions, consistent with *Standards for Internal Controls in the Federal Government* and prior GAO recommendations.
3. Review and address the outstanding issues identified during the Commission's 2017 review to ensure NIB's project assignment policy aligns with Commission policy 51.301.
4. Ensure that NIB completes its order allocation policy and provide sufficient guidance to NIB to ensure that this policy aligns with Commission policy 51.301.
5. Require the CNAs to include specific criteria for considering the size of NPAs in their recommendation decisions. As part of this, develop metrics for assessing the CNAs on the equitable distribution of projects and monitor progress on an annual basis, consistent with the *Standards for Internal Controls in the Federal Government*.
6. Conduct a study to determine whether a different mix of different sized NPAs could help increase the number of people employed through the program and their total work hours.
7. Identify metrics for assessing transparency and monitor progress on annual basis, consistent with the *Standards for Internal Controls in the Federal Government*.



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***EVALUATION OF MANAGEMENT COMMENTS***

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In commenting on a draft of this report, the Executive Director of the Commission concurred with five of our findings and partially concurred with two of our findings. We discussed the points management raised about the two findings the Commission partially concurred with and their related recommendations below.

- **Finding 5 / Recommendation 5:** Management stated that it concurs with our finding that metrics for assessing the CNAs' equitable distribution of projects should be enhanced, and that the Commission views this opportunity for improvement more broadly than the context of measuring and assessing NPAs' size alone. The Commission further stated that NPA size is only one of many variables relevant to the equity, fairness, and suitability of the CNAs' recommendations, and should be considered alongside other factors such as the NPAs' capability, capacity, and geographic preference for operation (if any). While our analysis focused on size, we agree that this is a complex issue and that several variables could contribute to the equitable distribution of projects. This is why we recommended not only that the Commission require the CNAs to include specific criteria for considering the size of NPAs in their recommendation decision in *recommendation 5*, but also that the Commission update policy 51.301 to clarify the meaning of equitable distribution in *recommendation 2*, which could include other variables that it deems appropriate to clarify the meaning of this term.
- **Finding 6 / Recommendation 6:** Management stated that it concurs with our finding and that its overall objective is to increase the number of people employed through the AbilityOne Program and their total work hours. Management stated that its approach to this objective is to pursue a broader strategy than the study of one variable or factor, such as NPA size, to enhance stewardship and grow the overall number of employment opportunities. Management also stated that given its limited resources, rather than conduct the study that GAO previously recommended and that we restated as recommendation 6, the Commission will focus on increasing the number of people employed through the program through its implementation of the 898 Panel recommendations, through the agency pledges, and through the new AbilityOne Representative Program. We understand that the Commission's resources are limited, and that these efforts may increase employment through the program, but the Commission's planned actions miss the intent of *recommendation 6*. The Commission's planned actions will not help determine whether a different mix of different sized NPAs recommended for projects by the CNAs could help increase the number of people employed through the program and their total work hours. Therefore, we do not consider the Commission's planned actions responsive to the recommendation.

Nonetheless, the Executive Director of the Commission stated that the Commission would implement all seven of our recommendations and described the Commission's plans to address them. The Commission stated it would complete actions to implement recommendations 1-5 and recommendation 7 by September 30, 2021, and stated it would complete its actions to implement recommendation 6 by December 30, 2021.

For management's complete response, see Appendix V

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***APPENDIX I: Objective, Scope, and Methodology***

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We conducted this performance audit in accordance with generally accepted government auditing standards in Washington, DC from July 2020 – January 2021. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objective.

**Objective and Scope.** Our audit objective was to assess the extent to which the implementation of the project assignment and allocation process by the CNAs is effective and follows applicable laws and regulations as well as established policies and procedures. Our scope included the CNA's policies and procedures for making recommendations to the Commission for NPAs' project assignments and allocation of orders. This included the distribution of projects to NPAs and base supply centers, but we did not look at the base supply centers separately because the CNAs do not draw distinctions between them and other NPAs in their recommendation processes and policies. We reviewed the project assignments made by the CNAs during FY 2018, 2019, and 2020. We also reviewed reported job growth data for the program and appeals filed by NPAs during this period.

Our scope also included the Commission's policies, procedures, and practices for overseeing the recommendations made by the CNAs. As discussed above in our findings, the Commission did not provide some of the information we requested. The lack of this information did not generally limit our analysis. We complied with generally accepted government auditing standards by taking steps to minimize our potential audit risk by identifying other evidence in lieu of the information not received to conduct our audit procedures. We identified the information that we did not receive in the findings section of the report.

**Methodology.** We planned the audit to reduce audit risk to an acceptably low level. Planning was a continuous process throughout the audit. To address our audit objective, we interviewed key officials from the CNAs and the Commission and spoke with selected leaders from the NPA community. We collected and reviewed key documents containing suitable criteria, and collected and analyzed data relevant to our audit objective. We also performed the following procedures:

- Assessed the extent to which the CNA's policies and procedures comply with applicable laws, regulations, and agreements with the Commission. We did this by identifying and reviewing the Commission and CNAs' policies and procedures relating to the fair, equitable, and transparent selection of NPAs for Project Assignment and Allocation of Orders. This included determining whether the CNAs and the Commission established clear roles and responsibilities under these policies and whether they took measures to implement them. We also inquired and identified concerns that officials from the CNAs and Commission had with implementing these policies.
- We reviewed the internal controls the CNAs and the Commission had in place for managing and overseeing the CNAs' project distribution processes, respectively. This includes establishing and implementing policy objectives for the fair, equitable, and transparent distribution of projects. Specifically, we determined that four of the five components of *Standards for Internal Control in the Federal Government* were significant to our audit objective: Control Activities, Risk Assessment, Information and

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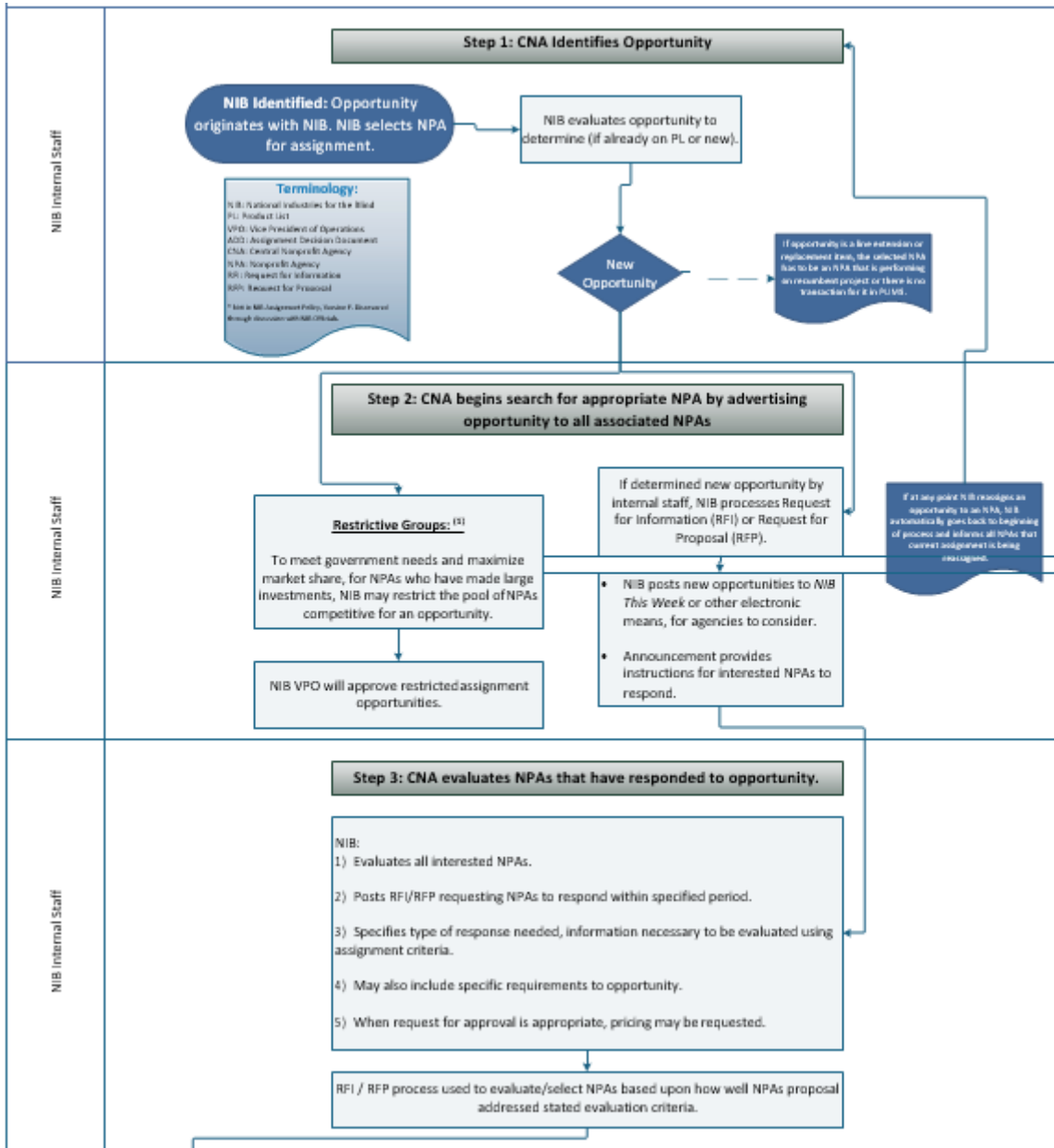
Communication, and Monitoring. We developed our audit plan to assess each of these control areas in determining how effectively the CNAs and the Commission designed, implemented, and operated the project distribution processes to achieve equity and transparency.

- Obtained and analyzed CNA project assignment data for fiscal years 2018, 2019, and 2020. CNA officials provided this computer-processed data from their corporate information systems for the limited purpose of identifying the assignments by size of NPA for FY 2018 – FY 2020. To validate the reliability of the data we received, we reconciled the data we received, discussed with CNA officials their process for selecting the data, and compared the data to the totals identified in the CNA's 2019 annual reports. We compared the data we received to the data in the CNAs' annual reports and did not identify any material differences. We concluded that the data provided were sufficiently reliable for the purposes of our audit and determined that the CNA's information system controls were not significant within the scope of our audit objective.
- Determined if the CNAs and the Commission established metrics for assessing whether their project distribution processes are effective in achieving policy goals for the fair, equitable, and transparent distribution of projects. We also determined the extent to which the Commission monitors and evaluates trends in the CNAs' selection of NPAs for projects.
- Determined the extent to which the Commission and the CNAs reviews complaints and appeals about recommendation decisions, and any actions to address these complaints and/or improve the appeal process.

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***APPENDIX II: National Industries for the Blind Project Recommendation Process***

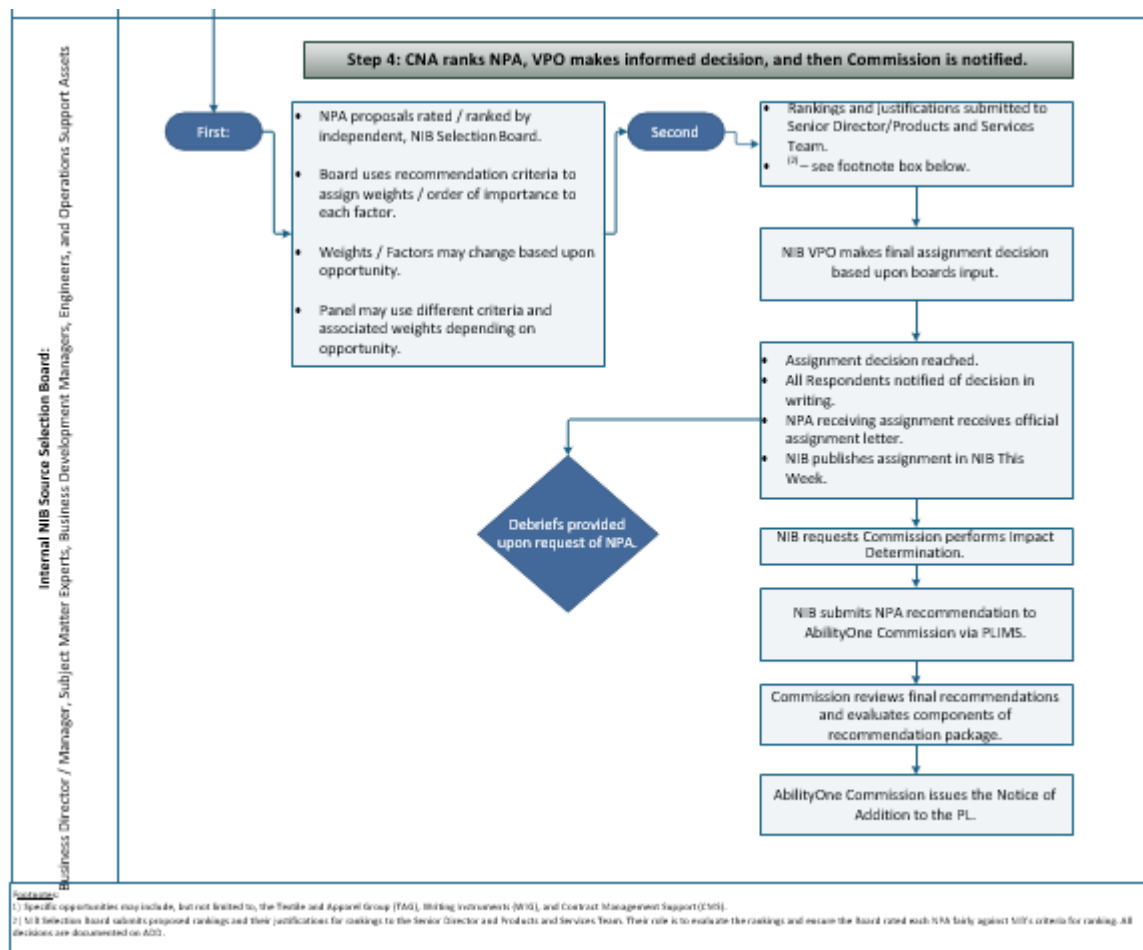
There are four steps in NIB's process. The figure below illustrates steps 1-3.



Source: CLA analysis of NIB policy and procedures.

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The figure below illustrates step 4.

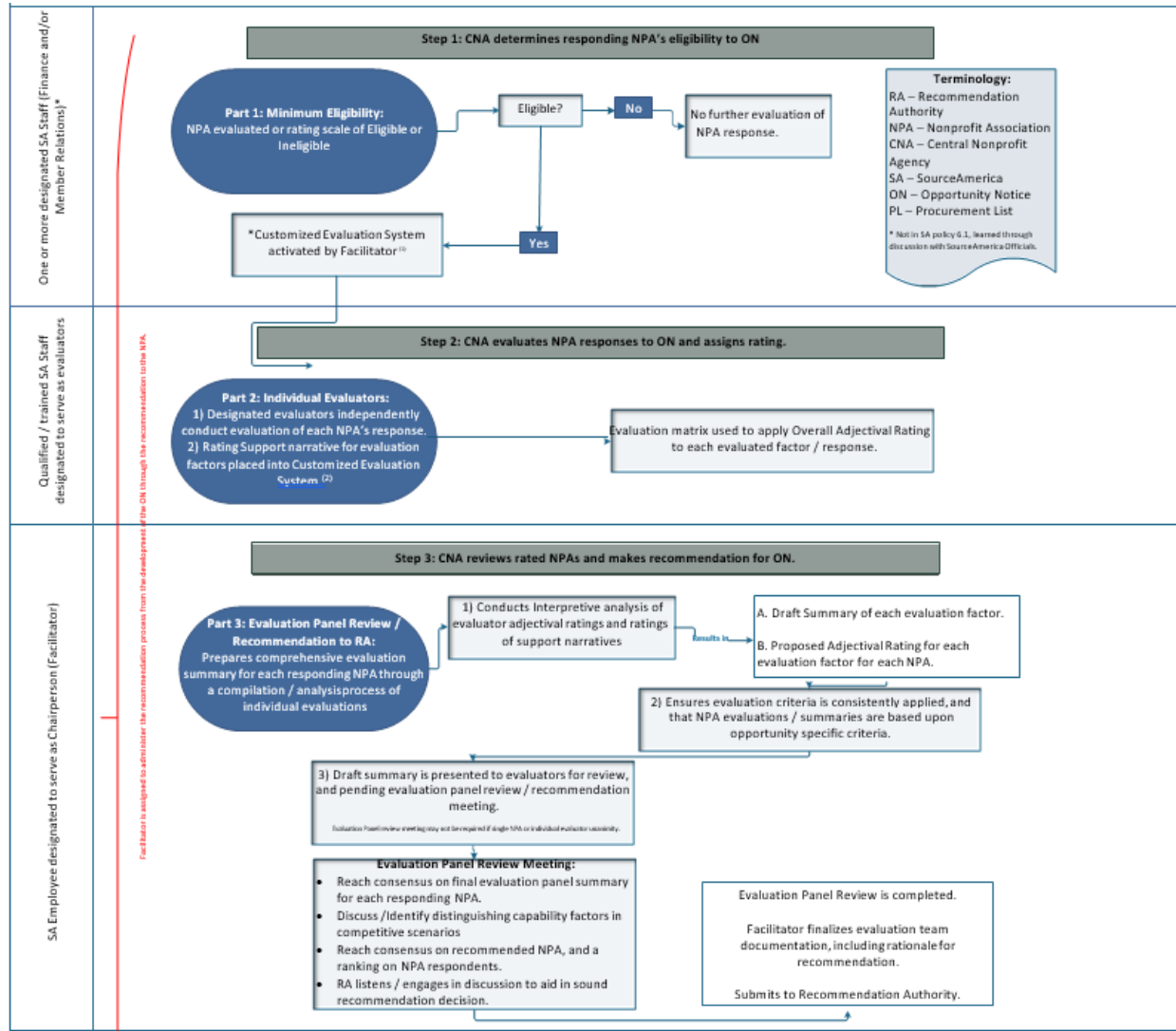


Source: CLA analysis of NIB policy and procedures.

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**APPENDIX III: Source America's Project Assignment Process**

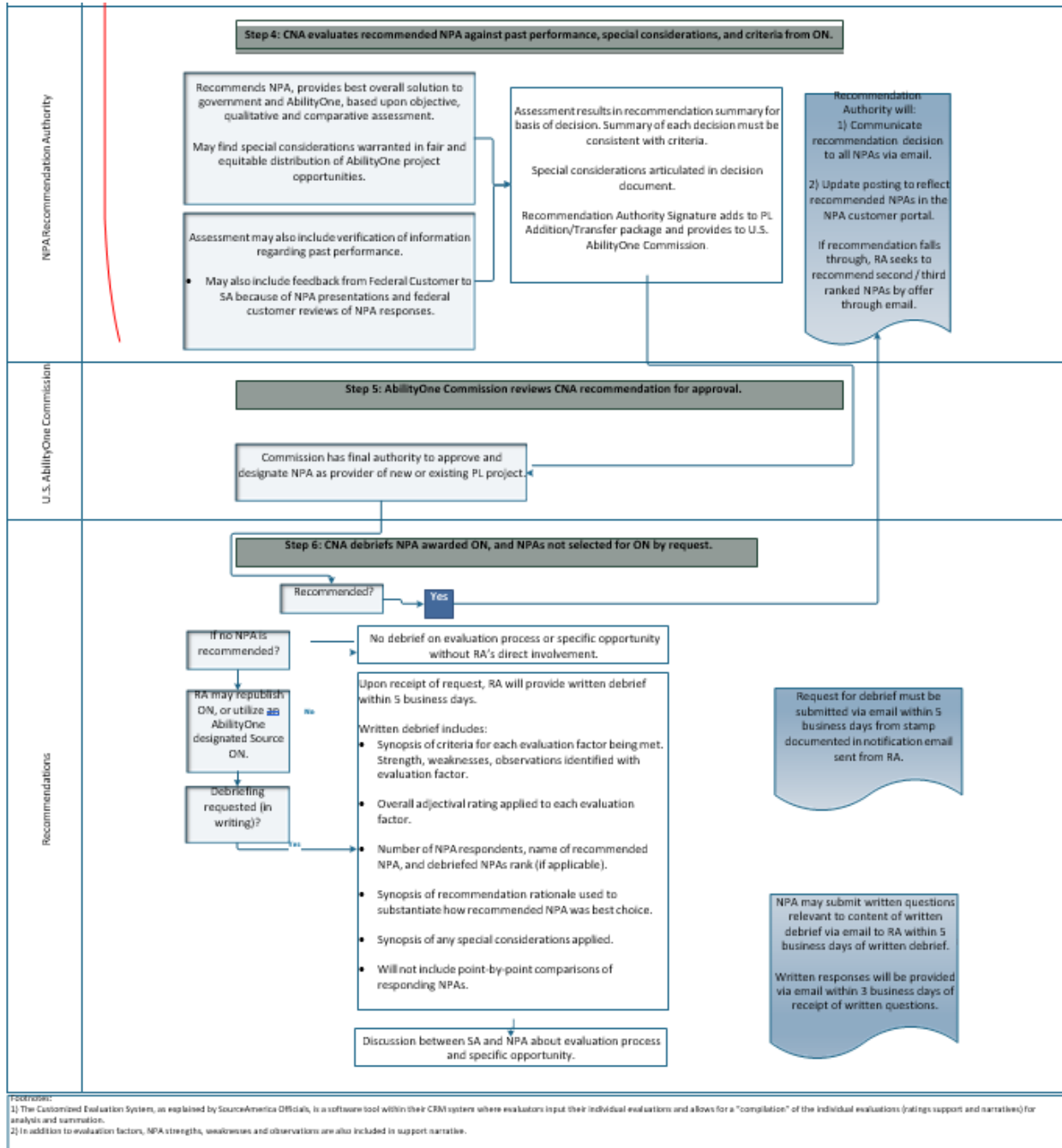
There are six steps in SA's process. This figure below illustrates steps 1-3.



Source: CLA analysis of SA policy and procedures.

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This figure below illustrates steps 4-6.



Source: CLA analysis of SA policy and procedures.

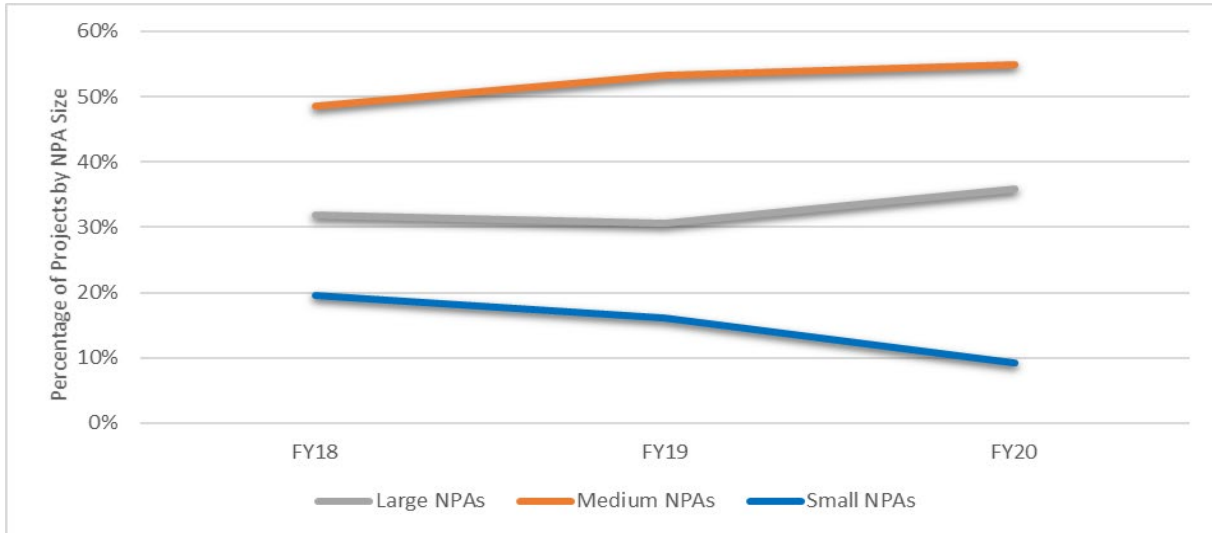
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***APPENDIX IV: Additional Data on Project Assignments FY 2018 – FY 2020***

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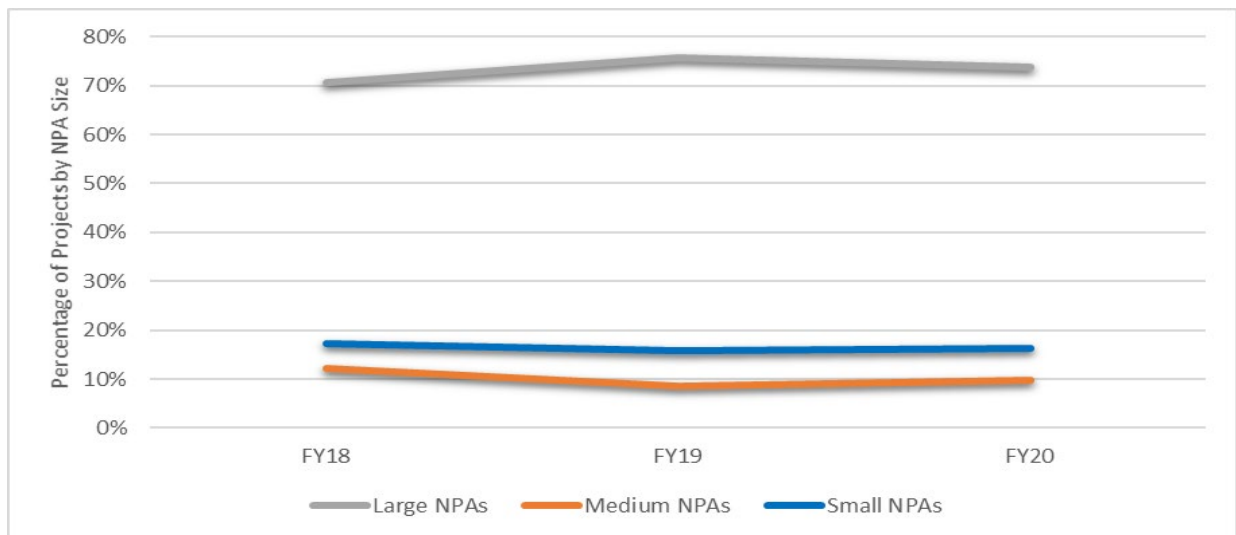
The following charts provided additional information on project assignment trends for the period.

***NIB – Percent of Project Assignments by NPA Size***



Source: CLA analysis of NIB data.

***SA – Percent of Project Assignments by NPA Size***

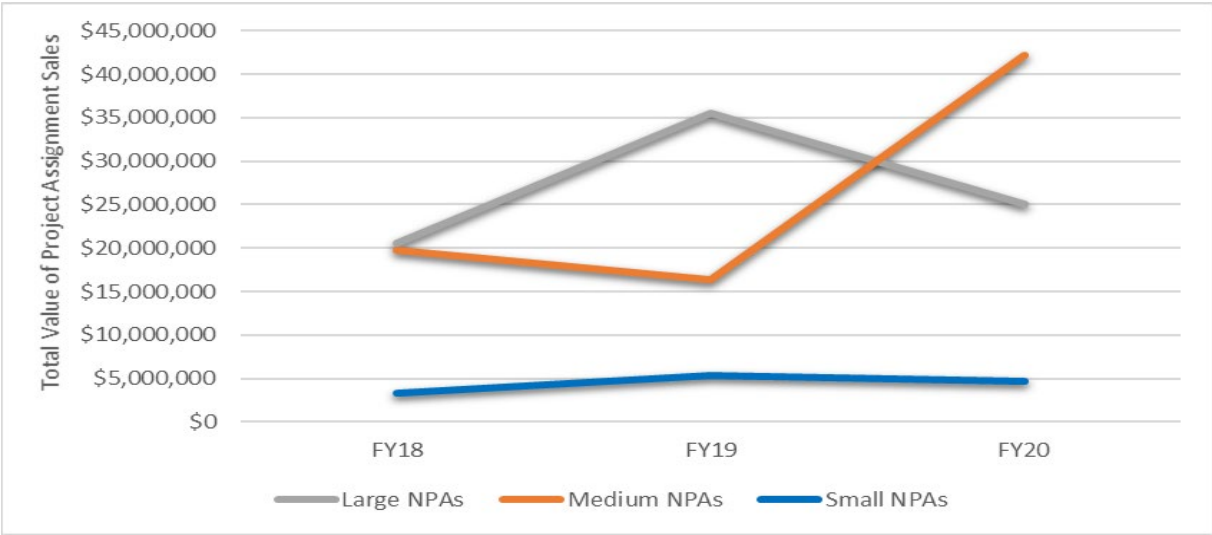


Source: CLA analysis of SA data.



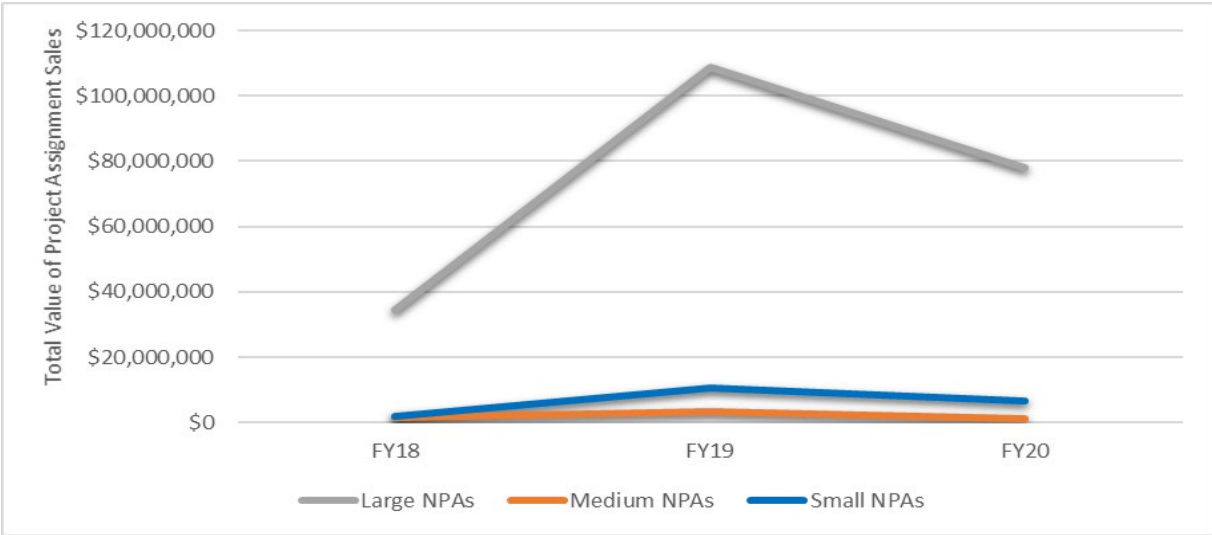
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***NIB – Total Sales per Year per NPA Size***



Source: CLA analysis of NIB data.

***SA – Total Sales per Year per NPA Size***



Source: CLA analysis of SA data.

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**APPENDIX V: Management Comments**

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**U.S. ABILITYONE COMMISSION**  
1401 S. CLARK STREET, SUITE 715  
ARLINGTON, VIRGINIA 22202-4149

March 9, 2021

VIA EMAIL

MEMORANDUM FOR THE INSPECTOR GENERAL

**SUBJECT:** Management Response to the OIG Performance Audit of the Central Nonprofit Agencies' (CNA) Selections of Nonprofit Agencies for Project Assignment and Allocation of Orders

Thank you for the opportunity to review and comment on the findings of the Draft OIG Performance Audit of the CNA Selection of NPAs for Project Assignment and Allocation of Orders. On behalf of the U.S. AbilityOne Commission (Commission), we appreciate this opportunity to receive an outside perspective on the subject processes and procedures. The management response below provides general comments, followed by the Agency's response for each specific finding.

The Commission was pleased to see the auditors' conclusion that the CNAs' project distribution processes were generally effective and followed applicable laws, regulations, and established guidance from the Commission. Consistent with the audit recommendations, the Commission will review and update its policies and procedures guiding the CNAs' recommendation processes for project assignments and allocations, with a target completion date of September 30, 2021.

The audit report provides some findings and recommendations related to the Commission's Interim Pilot Test Policy 51.301.1, established in 2019 for nonprofit agency recommendations made through Commission-led pilot tests. For clarity, the interim policy did not apply to 725 of the 726 assignments and allocations made by the CNAs between 2018 and 2020. The interim policy provides supplementary guidance for a very limited number of pilot tests – only two have been initiated, one of which is still in process – to implement recommendations by the Panel established the 2017 National Defense Authorization Act, Sec. 898. The Commission did not direct or expect the CNAs to reissue their procedures for NPA assignments and allocations based on this interim policy.

We appreciate the issues the auditor raised regarding NPA size, and the perspective of the 2013 GAO review. The Commission notes that NPA size is only one of many variables relevant to the equity, fairness, and suitability of the CNAs' recommendations, and should be considered alongside other factors such as the NPAs' capability, capacity, and geographic preference for operation (if any). We could not agree more strongly that it is important to increase the number of people employed through the Program. Given its limited resources, at this time the Commission will focus on increasing the number of people employed through the Program through its implementation of the Sec. 898 Panel recommendations, through the agency pledges, and through the new AbilityOne Representative (ABOR) Program.



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The Commission looks forward to continuing in its efforts to strengthen communication, guidance, and oversight of the CNA's NPA project assignment and allocation of orders processes.

**Summary of the Commission's Responses:**

- Finding #1: The Commission concurs with this finding, and by September 30, 2021, the Commission will either disseminate programmatic guidance on the interim pilot test program goals, or will formally discontinue the interim pilot test program.
- Finding #2: The Commission concurs with this finding, and will complete the implementation of the recommended policy update by September 30, 2021.
- Finding #3: The Commission concurs with this finding, and will complete the implementation of the policy alignment by September 30, 2021.
- Finding #4: The Commission concurs with this finding and will complete the implementation of the policy alignment by September 20, 2021.
- Finding #5: The Commission partially concurs with this finding, and will complete a review and update of metrics for the CNAs' recommendation process by September 30, 2021.
- Finding #6: The Commission partially concurs with this finding, and will complete specified actions to facilitate employment growth by December 31, 2021.
- Finding #7: The Commission concurs with this finding, and will implement a mechanism to assess transparency by September 30, 2021.

**Detailed Responses:**

1. **Develop programmatic guidance on the interim pilot test program goals and provide it to the CNAs to help ensure the program achieves its goals, consistent with *Standards for Internal Controls in the Federal Government*.**

**Commission Response:** The Commission concurs with the auditor's findings that the Commission should provide guidance to the CNAs regarding the Commission's interim competition pilot test policies, as recommended.

**Corrective Action Plan:** The Commission will review its policy and procedures related to the interim competition pilot tests by July 30, 2021. The Commission will make any necessary updates and provide expanded guidance to the CNAs applicable to future competition pilot tests. This guidance will include the Commission's direction to the CNAs regarding any conforming changes needed in their procedures for assignments and allocations. Conversely, if the Commission determines not to conduct additional pilot tests, written notice will be provided to the CNAs, and the interim pilot test policy and procedures will be rescinded, replaced, or superseded. The Commission staff has established a target date for completion by September 30, 2021.



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- 2. Update policy 51.301 to include clarifying the meaning of equitable and transparent distributions, consistent with *Standards for Internal Controls in the Federal Government* and prior GAO recommendations.**

**Commission Response:** We concur with the auditor's findings that the Commission should define equitable and transparent distribution as it pertains to the AbilityOne Program.

**Corrective Action Plan:** The Commission staff will review the *Standards for Internal Controls in the Federal Government* and earlier GAO recommendations to update Commission Policy 51.301 - Selection of Nonprofit Agencies for Project Assignment and Order Allocation with the definition(s) for "equitable and transparent distributions" as it pertains to the AbilityOne Program. The Commission staff has established a target date for completion by September 30, 2021.

- 3. Review and address the outstanding issues identified during the Commission's 2017 review to ensure NIB's project assignment policy aligns with Commission policy 51.301.**

**Commission Response:** We concur with the auditor's findings that the Commission should review and address open issues to ensure that NIB's project assignment policy aligns with Commission Policy 51.301.

**Corrective Action Plan:** The Commission staff will review its 2017 recommendation and NIB's current project assignment policy for alignment with Commission Policy 51.301 - Selection of Nonprofit Agencies for Project Assignment and Order Allocation. The Commission staff will work with NIB to address any concerns regarding implementation of current policy. The Commission staff has established a target date for completion by September 30, 2021.

- 4. Ensure that NIB completes its order allocation policy and provide sufficient guidance to NIB to ensure that this policy aligns with Commission policy 51.301.**

**Commission Response:** We concur with the auditor's findings that the Commission should ensure that NIB's order allocation policy is complete and aligns with Commission Policy 51.301.

**Corrective Action Plan:** The Commission staff will review NIB's December 2020 policy revisions for alignment with Commission Policy 51.301 - Selection of Nonprofit Agencies for Project Assignment and Order Allocation. The Commission staff will work with NIB to address any concerns regarding implementation of current policy. The Commission staff has established a target date for completion by September 30, 2021.

- 5. Require the CNAs to include specific criteria for considering the size of NPAs in their recommendation decisions. As part of this, develop metrics for assessing the CNAs on the equitable distribution of projects and monitor progress on an annual basis, consistent with the *Standards for Internal Controls in the Federal Government*.**



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**Commission Response:** We concur with the auditor's findings that metrics for assessing the CNAs' equitable distribution of projects should be enhanced. The Commission views this opportunity for improvement more broadly than the context of measuring and assessing NPAs' size alone.

**Corrective Action Plan:** The Commission will review the CNAs' metrics and, consistent with the Standards for Internal Controls in the Federal Government, will make updates, if necessary, to the pertinent Cooperative Agreement language and Quality Assurance Surveillance Plan (QASP) annual measures. The Commission staff has established a target date for completion by September 30, 2021.

**6. Conduct a study to determine whether a different mix of different sized NPAs could help increase the number of people employed through the program and their total work hours.**

**Commission Response:** We concur with the auditor's findings that the overall objective is to increase the number of people employed through the AbilityOne Program and their total work hours. The Commission's approach to this objective is to pursue a broader strategy than the study of one variable or factor, such as NPA size, to enhance stewardship and grow the overall number of employment opportunities.

**Corrective Action Plan:** The Commission will focus on increasing the number of people employed through the Program through its implementation of the Sec. 898 Panel recommendations, through the agency pledges, and through the new AbilityOne Representative (ABOR) Program. The majority of the Sec. 898 Panel recommendations will be completed by December 31, 2021, while the agency pledges and ABOR Program will be ongoing.

**7. Identify metrics for assessing transparency and monitor progress on annual basis, consistent with the *Standards for Internal Controls in the Federal Government*.**

**Commission Response:** We concur with the auditor's findings that the Commission should identify additional metrics for assessing transparency and monitoring the CNAs' progress on an annual basis.

**Corrective Action Plan:** The Commission staff will review the current methodology and metrics for assessing the transparency of the CNAs' procedures for NPA assignment and allocations, and will identify additional metrics with input from the CNAs and the NPA community. The Commission staff will work with the CNAs to make any necessary modifications to the Cooperative Agreements and Quality Assurance Surveillance Plans (QASPs) by September 30, 2021.

My point of contact for this response is Ms. Amy B. Jensen, Director, Business Operations, who can be reached at (703) 603-2132 or [ajensen@abilityone.gov](mailto:ajensen@abilityone.gov).

  
E. Ballard  
Executive Director



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