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

355 E Street SW (OIG Suite 335)
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January 30, 2024

MEMORANDUM

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

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

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

SUBJECT: Audit of the U.S. Ability One Commission's Quality of Products in Support of Meeting Government Requirements

We are pleased to provide the performance audit report on the U.S. AbilityOne Commission's (Commission) Quality of Products in Support of Meeting Government Requirements conducted by CliftonLarsonAllen LLP (CLA), an independent public accounting firm. The U.S. AbilityOne Commission Office of Inspector General (OIG) engaged CLA to conduct the performance audit and issue its report. The objective of the audit was to assess the reliability, validity, and relevance of the quality control process employed by the Central Nonprofit Agencies (CNAs) and Nonprofit Agencies (NPAs) to correct product deficiencies prior to delivery.

To address our audit objective, we interviewed key officials from the Commission and the CNAs. We collected and reviewed key documents containing suitable criteria and analyzed data relevant to our audit objectives. We also performed the following procedures: 1) reviewed the JWOD Act and AbilityOne Program regulations, identified provisions relevant to contract performance specifically related to product quality, and summarized them by major category (i.e., roles and responsibilities, quality of merchandise produced, and quality complaints); 2) reviewed the internal controls the Commission and CNAs had in place for managing and overseeing the Quality of Products Program administered by the CNAs; 3) obtained from the CNAs and reviewed key policies and procedures related to the quality control processes in place to provide technical assistance to NPAs including resolving issues related to product deficiencies; 4) obtained PLIMS

product extract data as of FY end (i.e., September 30), 2019, 2020, and 2021 from the Commission.

Overall, CLA concluded that the Commission's policies and procedures regarding product quality comply with applicable laws and regulations. Further, the Commission has taken steps to improve the transparency of its policies and procedures by updating three relevant compliance policies in FY 2020 or 2021. Lastly, each CNA has policies and procedures related to quality control processes in place to provide technical assistance to NPAs, including resolving issues related to product deficiencies. However, CLA identified opportunities for the Commission to improve the effectiveness of its policies, procedures, and practices to monitor product quality and the quality control processes employed by the CNAs and NPAs to correct product deficiencies prior to delivery in three areas: (1) further updating and enhancing its policies; (2) improving guidance to NPAs and CNAs; and (3) implementing practices to obtain sufficient data from NPAs, CNAs, and federal customers to make an informed decision regarding NPA compliance with contract performance requirements. The audit team made three recommendations to improve management of and internal controls over quality control processes.

We appreciate the Commission's assistance during the course of the audit. If you have any questions, please contact me or Rosario A. Torres, CPA, CIA, MBA, CGAP, Assistant Inspector General for Auditing, at 703-772-9054 or at rtorres@oig.abilityone.gov.

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Results in Brief

Audit Report of the Quality of Products in Support of Meeting Government Requirements.

Office of Inspector General Report No. 2021-04. Report Date: December 28, 2023

Why We Performed This Audit

We engaged CliftonLarsonAllen LLP (CLA) to conduct a performance audit of the U.S. Ability One Commission's (Commission) Quality of Products in Support of Meeting Government Requirements. Our audit objective was to assess the reliability, validity, and relevance of the quality control process employed by the Central Nonprofit Agencies (CNAs) and Nonprofit Agencies (NPAs) to correct product deficiencies prior to delivery.

What We Audited

CLA's scope included assessing the effectiveness of the policies, procedures, and practices employed by the Commission, CNAs and NPAs for determining and correcting issues with product quality. CLA also evaluated whether the procedures implemented by the Commission and CNAs are transparent (e.g., adequately documented), and promote efficiency, and effectiveness. CLA reviewed relevant Commission and CNA data and reports related to the quality control processes and complaints during FY 2019, 2020, and 2021.

What We Recommend

CLA made three recommendations to improve the Commission's controls over the Quality of Products in Support of Meeting Government Requirements. In commenting on a draft of this report, the Executive Director of the Commission concurred with modification with all three recommendations and stated that it would implement actions to address them.

What We Found

Overall, CLA concluded that the Commission's policies and procedures regarding product quality comply with applicable laws and regulations. Further, the Commission has taken steps to improve the transparency of its policies and procedures by updating three relevant compliance policies in FY 2020 or 2021. Lastly, each CNA has policies and procedures related to quality control processes in place to provide technical assistance to NPAs, including resolving issues related to product deficiencies.

CLA identified opportunities for the Commission to improve the effectiveness of its policies, procedures, and practices to monitor product quality and the quality control processes employed by the CNAs and NPAs to correct product deficiencies prior to delivery in three areas: (1) further updating and enhancing its policies; (2) improving guidance to NPAs and CNAs; and (3) implementing practices to obtain sufficient data from NPAs, CNAs, and federal customers to make an informed decision regarding NPA compliance with contract performance requirements.

While the Commission's compliance policies adequately outline the respective roles and responsibilities of the NPAs, CNAs, and the Commission regarding the requirement that NPAs strictly meet Government specifications to deliver products that comply with contract terms, the policies only address these requirements at a high level. Also, the policies contain no procedural implementation guidance to effectively evaluate this NPA qualification requirement, and do not address a key area included in the AbilityOne Program regulations – customer (i.e., contracting activity) complaints.

Further, guidance to CNAs regarding quality control processes established to monitor and provide NPA assistance to ensure successful contract performance is not sufficient. CNAs have largely been given discretionary authority to design their quality control processes, which has resulted in inconsistencies in the scope and level of detail of policies and procedures, assessment and tracking of quality complaints, types of technical assistance provided to NPAs, documentation requirements, and frequency of interactions with NPAs. The lack of written procedures to CNAs that outline requirements and guidelines limits the comparability and sufficiency of data available to the Commission to inform their decision-making.

Lastly, Commission procedures and data requested to monitor product quality are not sufficient, which reduces effectiveness. CLA assessed procedures and data for two key components, quality processes and quality complaints. The Commission requires and receives limited data from NPAs and CNAs, has no mechanism in place to solicit feedback directly from federal customers, and is not using its key tools to monitor NPA compliance with contract performance requirements. The Commission should establish criteria or metrics to measure NPA compliance and implement procedures and reporting mechanisms to collect necessary data from all parties and then document the evaluation and assessment of NPA compliance in the Procurement List Information Management System.

View the full report. For more information, visit us at https://abilityone.oversight.gov

Performance Audit Report
on the
Audit of the Quality of Products in Support of Meeting Government Requirements

For
U.S. AbilityOne Commission
Office of Inspector General

by
CLA (CliftonLarsonAllen LLP)

December 28, 2023

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

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CliftonLarsonAllen LLP
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Transmittal Memo

Stefania Pozzi Porter
Inspector General
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CliftonLarsonAllen LLP (CLA) was engaged by the U.S. AbilityOne Commission (the Commission) Office of Inspector General to conduct a performance audit of the Commission's Quality of Products in Support of Meeting Government Requirements. The purpose of our performance audit was to assess the reliability, validity, and relevance of the quality control process employed by the Central Nonprofit Agencies (CNAs) and Nonprofit Agencies (NPAs) to correct product deficiencies prior to delivery.

We obtained the information included in the report from the Commission and CNAs on or before May 19, 2023. We have no obligation to update our report or to revise the information contained herein to reflect events and transactions occurring subsequent to May 19, 2023.

The details of our findings and conclusions are included in the accompanying report. We provided a draft of this report to the Commission on September 29, 2023. We obtained the Commission management's comments on the draft report, and they are presented in Appendix D. We considered management's comments in finalizing our audit report and evaluated their response as documented in the *Evaluation of Management Comments* section in the accompanying report. We did not audit the comments received from the Commission; therefore, we do not provide any conclusions on them.

We considered internal controls that were significant and relevant to our audit objective; therefore, we may not have identified all the internal control deficiencies with respect to the Commission's Quality of Products in Support of Meeting Government Requirements that existed at the time of this audit. We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives, scope, and methodology are described in Appendix A.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, MD
December 28, 2023

Background

Enacted in 1938, the Wagner-O'Day Act established the Committee on Purchases of Blind-Made Products to provide employment opportunities for the blind. In 1971, Congress amended and expanded the Wagner-O'Day Act with the Javits-Wagner-O'Day (JWOD) Act[1] to include persons with significant 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 42,000 people who are blind or have significant disabilities and are employed by approximately 500 nonprofit agencies (NPAs) across all fifty states and U.S. territories.

In 2006, the JWOD Program was renamed the AbilityOne Program and the Committee took on the branded name of the U.S. AbilityOne Commission (hereinafter referred to as the Commission) in 2011. 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 2022, the Commission has approximately 38 full-time employees who administer and oversee the AbilityOne Program (hereinafter referred to as the Program), which includes nearly $4 billion in products and services provided to the Federal government annually.

The Commission maintains and publishes a Procurement List (PL) of specific products and services, which Federal agency purchase agents must buy to help them meet their departments' mission needs. Under the JWOD Act and its implementing Federal regulations codified in title 41 of the U.S. Code of Federal Regulations, chapter 51, the Commission is responsible for establishing the rules, regulations, and policies of the Program. The NPAs[2] furnish the products and services (including military resale commodities) on the PL to the Federal Government.

The Commission delegates certain program management responsibilities to its designated Central Nonprofit Agencies (CNAs). Each NPA is affiliated with a CNA. The CNAs evaluate and recommend NPA initial qualification to the Commission and provide regulatory assistance to the NPAs they represent, to facilitate and support the NPAs in maintaining qualification.[3] CNAs recommend which NPA(s) to assign to a particular project, which, if determined to be feasible, becomes a proposed PL addition. The CNAs include:

- **National Industries for the Blind (NIB)**, whose mission is to enhance the personal and economic independence of people who are blind, primarily through creating, sustaining, and improving employment. As of September 30, 2021, NIB had about 170 employees and annual revenue of about $38 million. Most of NIB's affiliated NPAs manufacture goods like office supplies, textiles, and contract support services. Several NPAs operate base supply centers and stores at military installations and bases and in Federal offices across the country.

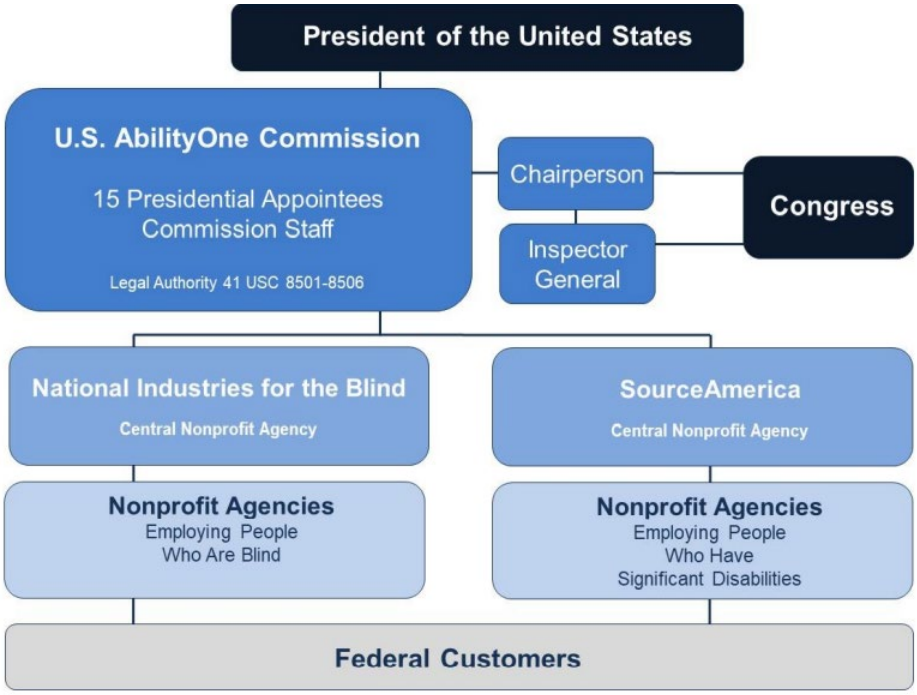
- **SourceAmerica (SA)**, whose mission is to increase the employment of people with disabilities by building strong partnerships with the Federal government and engaging a national network of

[1] Senator Jacob K. Javits sponsored this legislation in 1971. See 41 U.S.C. §§8501-8506.
[2] See 41 U.S.C. § 46 et seq., 41 CFR 51-1.3, and 41 CFR 51-2.8(a).
[3] See 41 CFR 51-1.3, 51-2.2, 51-3.2, 51-4.2 and 51-4.3.

NPAs and experts. As of September 30, 2021, SA had about 450 employees and annual revenue of about $189 million. Most of SA's affiliated NPAs provide services to government agencies like administrative, information technology, laundry, janitorial, and food services.

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

Figure 1: AbilityOne Program Organization

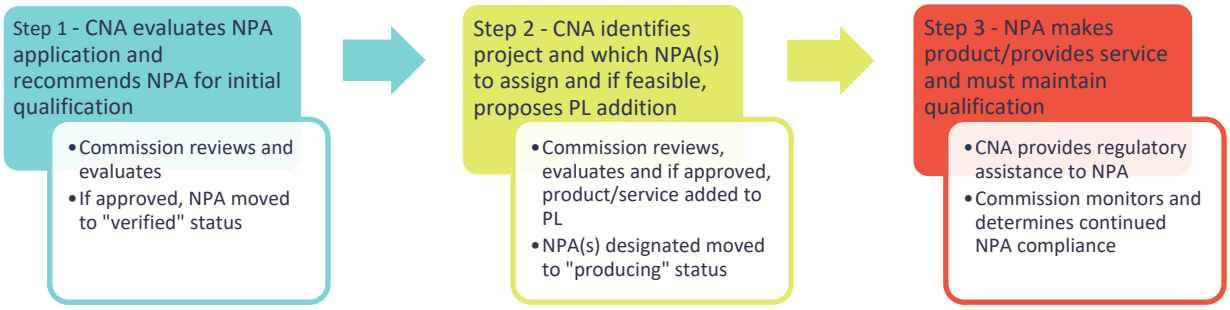


Source: AbilityOne Commission

The Commission uses a workflow management system called the Procurement List Information Management System (PLIMS) to collect and process electronic submissions from the CNAs, including transactions related to NPA compliance and PL additions/deletions. The PLIMS database contains transaction data, supporting documents from CNAs and NPAs, and documentation prepared by Commission personnel. We refer to the CNAs' submissions as "transaction packages" or "packages" in this report.

Figure 2 below presents an overview of the lifecycle for an NPA's participation in the AbilityOne Program, including key CNA and Commission roles and responsibilities.

Figure 2: Lifecycle for NPA Participation in AbilityOne Program[4]



Source: CLA review of Commission policies and procedures and discussion with Commission personnel

In **step 1**, an NPA that wants to participate in the AbilityOne Program provides the required documentation package including legal documents evidencing the NPA's tax exempt status and the Commission's Initial Certification Form to its representing CNA. The CNA reviews the NPA's documentation package and if deemed to meet the Commission's requirements, submits the package to the Commission for review and evaluation. If the Commission determines that all requirements are met, the Commission prepares and sends a letter to the NPA that it has met the initial qualification requirements and is now considered a "verified" NPA. The letter also explains that the Commission will further evaluate the NPA's qualifications in connection with a proposed PL addition.

In **step 2**, the CNA identifies opportunities and distributes project assignments for development to qualified NPAs in accordance with Commission policies. If the project is determined to be feasible, the CNA prepares an electronic documentation package for the proposed PL addition and submits it to the Commission for review and approval. The Commission reviews and evaluates the recommendation including whether the proposed NPA(s) are qualified and capable to deliver the product or service. If the project is deemed suitable, the Commission adds the product or service to the PL and officially designates the NPA(s) approved to deliver that product or service. Once an NPA is approved as the mandatory supply source for a PL addition, the Commission updates a new NPA's status from "verified" to "producing."

In **step 3**, after the Commission grants an NPA initial qualification, the NPA must comply with the JWOD Act and implementing Federal regulations to maintain qualification and continue participating in the AbilityOne Program. In accordance with their Cooperative Agreements[5], the CNAs provide regulatory assistance to the NPAs they represent to facilitate and support the NPAs maintaining qualification. One of the Commission's requirements for NPAs to maintain qualification is to strictly adhere to Government orders for products or services on the PL, including meeting quality standards and delivery dates. The Commission is responsible for monitoring and determining NPA compliance with all requirements.

[4] This figure presents a summary of the Lifecycle for NPA Participation and does not purport to include all steps in the AbilityOne Program's underlying business processes.

[5] These are the written agreement between the Commission and each CNA that formally establish expectations and guidance for the Commission and CNAs to implement and manage the AbilityOne Program.

Results of Audit

We found that the Commission's policies governing the reliability, validity, and relevance of the quality control process employed by the CNAs and NPAs to correct product deficiencies prior to delivery, while consistent with the authoritative statutory and regulatory requirements, need to be improved and enhanced, particularly as these policies relate to the handling of customer complaints and contractor performance.

Furthermore, the Commission has not provided specific requirements to the CNAs regarding the quality control processes they have established to provide regulatory assistance to the NPAs they represent, as well as to facilitate and support the NPAs maintaining qualification.

Lastly, the Commission does not have adequate procedures in place or obtain sufficient data from NPAs and CNAs to make an informed decision regarding NPA compliance with contract performance requirements.

FINDING 1: POLICIES AND PROCEDURES COMPLY WITH LAWS AND REGULATIONS BUT ARE NOT FULLY TRANSPARENT BECAUSE SOME ARE INSUFFICIENT

The Commission's policies and procedures regarding product quality comply with applicable laws and regulations. We reviewed the JWOD Act and AbilityOne Program regulations[6], identified provisions relevant to contract performance specifically related to product quality, and summarized them by major category (i.e., roles and responsibilities, quality of merchandise produced, and quality complaints). We then reviewed and analyzed three relevant Commission compliance policies and procedures in the 51.400 series against these statutory and regulatory requirements. Our analysis showed no inconsistencies but noted that a key provision related to quality complaints was not addressed. We also reviewed the Commission's Cooperative Agreements with the CNAs and Federal Acquisition Regulation Subpart 8.7, *Acquisition From Nonprofit Agencies Employing People Who Are Blind or Severely Disabled*, for sections related to product quality including roles and responsibilities and noted no inconsistencies with the Commission's policies and procedures or statutory and regulatory requirements. Further, we reviewed the Commission's three general policies in the 51.100 series to gain an understanding of the overall policy system and structure as well as definitions of common terms used throughout the policy system. See Appendix B for a list of the policies and procedures we reviewed.

The Commission has taken steps to improve the transparency of its policies and procedures. The Commission's policy 51.101, *AbilityOne Program Policy System*, requires that all policies be reviewed and/or updated every five years (or as otherwise required by changes in statute, regulation, or policy). The Commission updated the three relevant compliance policies in fiscal year (FY) 2020 or 2021 which conforms with the requirements under policy 51.101. The Commission's process is to make its policies, procedures, and certain other guidance available to the public to ensure that the CNAs, affiliated NPAs, and the public have access to them.

These actions are consistent with *Standards for Internal Controls in the Federal Government*[7] (the Green Book) for implementing control activities through policies and procedures and for using quality

[6] See 41 CFR 51-2.2, 51-3.2, 51-4.3, 51-6.10, 51-6.11, and 51-6.15.

[7] See principles 12 and 15 in the Green Book.

information to communicate with external parties so that they can help the entity achieve its objectives and address related risks. However, we found that additional steps could be taken to improve the Commission's policies and procedures as discussed below.

FINDING 1A: COMMISSION POLICIES RELATED TO NPA PRODUCT QUALITY ARE INSUFFICIENT AND LACK PROCEDURAL IMPLEMENTATION GUIDANCE

While the Commission compliance policies adequately outline the respective roles and responsibilities of the NPAs, CNAs, and the Commission regarding an NPA's requirement to deliver products that comply with contract terms, they only address this requirement at a high level. Further, the policies do not address customer (i.e., contracting activity) complaints regarding contract performance, including product quality. This increases the risk that policies are applied inconsistently, and the Commission does not properly and timely identify NPA noncompliance. This is inconsistent with the *Green Book*[8] which requires management to clearly define objectives and risk tolerances, identify, analyze, and respond to risks, and design control activities to achieve objectives and respond to risks.

Commission policy 51.400, *Nonprofit Agency Overall Compliance Policy*, and policy 51.403, *Nonprofit Agencies Out of Compliance with Commission Regulations*, outline overall responsibilities for all parties and potential consequences for NPAs determined to be out of compliance. In addition, Commission policy 51.409, *Maintaining Qualification of Nonprofit Agencies*, includes the following as one of the requirements for an NPA to maintain qualification – "Strictly adhere to Government orders for products or services on the Procurement List, including meeting quality standards and delivery dates. This means an NPA's Past Performance ratings should be "Satisfactory" or better when deviations to FAR 42.1502(h) allow the NPA's performance to be evaluated by Federal customers." However, Commission policy 51.409 provides no procedural implementation guidance to NPAs or CNAs, and the Commission has no process in place to effectively evaluate this NPA qualification requirement.

FINDING 1B: GUIDANCE TO CNAs REGARDING QUALITY CONTROL PROCESSES ESTABLISHED TO MONITOR AND PROVIDE NPA ASSISTANCE IS NOT SUFFICIENT, RESULTING IN INCONSISTENCIES WHICH LIMITS USEFULNESS

The Commission has not provided specific requirements to the CNAs regarding the quality control processes they have established to provide regulatory assistance to the NPAs they represent in order to facilitate and support the NPAs maintaining qualification. This has resulted in inconsistencies in practice between the CNAs which limits the usefulness of data available to the Commission to inform its decision-making. This is contrary to the *Green Book*[9] on identifying information requirements, updating them in an iterative and ongoing process, obtaining relevant data, and processing this data into quality information that supports the internal control system.

Under the Cooperative Agreements, the CNAs are responsible for overseeing and assisting qualified NPAs to ensure successful contract performance and contract compliance in furnishing a product to the Government. In large part, the CNAs have been given discretionary authority to design their quality control processes to provide NPA performance quality assistance, which includes the following:

[8] See principles 6, 7, and 10 in the Green Book.
[9] See principle 13 in the Green Book.

- **Monitor and assist NPAs** in maintaining contract performance and provide technical assistance to NPAs, as necessary. Technical assistance is defined to include two directly relevant items, quality assessment and development of performance improvement plans (PIP). It also includes, but is not limited to, other types of assistance which could indirectly impact quality, such as Federal procurement subject matter expertise, business process reengineering, and rehabilitation engineering. Further, CNAs are only required to provide this assistance "consistent with available resources[10]."
- **Assist in issue resolution** if either the NPA or CNA receives notice of unsatisfactory performance from the customer.
- **Establish, maintain, and execute a PIP system** that supports strict agreement compliance by the NPAs. The CNA is required to notify the Commission within ten business days of initiating or closing a PIP and to provide certain details of corrective actions taken by the NPA to correct the deficiencies as outlined in the PIP Corrective Action Plan (CAP). A PIP is a formal written plan to correct NPA contract performance issues that the CNA determines, at its discretion, are significant and cannot be resolved in a less formal manner. The CNAs submit PIPs to the Commission's deliverable mailbox, and Commission Program Management Office (PMO) staff[11] monitoring this mailbox forwards the documentation to the Deputy Director, Business Operations, and the Director, Oversight and Compliance, for review, evaluation, and acceptance. The PMO office is responsible for tracking the timeliness of PIP submissions.

Each CNA has policies and procedures related to quality control processes in place to provide technical assistance to NPAs including resolving issues related to product deficiencies. We obtained and reviewed key policies and procedures (3 for NIB and 11 for SA) and noted inconsistencies in the scope and level of detail. Some examples are as follows:

- **SA:** Policies are more comprehensive and include procedural implementation guidance and templates such as the following:
    - Overall **NPA Performance Improvement System Procedure,** which establishes a three-tiered system of support based on the assessed severity of the issue. Tier 3 requires a PIP and is implemented "when issues rise to a level that places a project in contractual jeopardy."
    - Separate **Performance Improvement Policy and Implementing a PIP Procedure,** which include the Cooperative Agreement requirements for PIPs including reporting to the Commission and mandating use of a Corrective Action Plan template.
    - **Issue Tracking Procedure,** which establishes a methodology for tracking issues in SA's Front-Office Automation (FOA) system and specifically states that it should be used to meet SA's responsibilities to monitor and assist NPAs under the Cooperative Agreement as outlined above.
    - **Site Visits and Customer Engagement Standard Operating Procedure,** which states that regularly scheduled site visits and planned customer interactions (i.e., phone calls) are the best means for SA to proactively assess the delivery of products and working relationship between the NPA and Federal Government customer. It also states that frequent interaction is the most effective way for SA to meet its statutory responsibility to monitor and assist its NPAs with ensuring compliance in furnishing a commodity.

[10] This provision was not put in place for NIB until December 16, 2021.

[11] Effective December 16, 2021 for NIB and December 17, 2021 for SA, Cooperative Agreements were updated to require that information regarding PIPs be sent directly to the PMO via email. After September 30, 2022, the Commission disbanded the PMO office, and this responsibility was transferred to the Director, Contracting.

Further, there is an **Account Products Guidance Document** that contains topics that are expected to be covered, at a minimum. Relevant topics include project performance, quality issues, the NPA's relationship and frequency of interaction with their Federal customers, including the Quality Assurance Representative (QAR) (i.e., does QAR visit regularly, perform inspections), and inquiry to NPA as to whether they need any type of assistance from SA, such as a Quality Assessment. A trip report is required to document a site visit or planned customer interaction.

- **NIB:** Policies and procedures focus on the limited situations where NIB is prime on AbilityOne contracts with the Department of Defense (DoD) and works with the assigned NPA(s) as the subcontractor(s) (i.e., approximately 20 contracts), and are not as comprehensive. Further, NIB officials told us that these policies and procedures were not consistently implemented during FY 2019 to 2021. For example:
    - The **Quality Procedure for: Product and Service Assurance Support** discusses in general terms the process NIB should follow if notified of a Corrective Action Request (CAR) by DoD. NIB's Product Manager, Quality Assurance (PMQA), has responsibility to work with the NPA to address the CAR, correspond with DoD, and maintain a tracking report to track key dates (e.g., date CAR received, response due date, date CAR closed). However, there is no detailed procedural implementation guidance, and this procedure only applies where NIB serves as prime.
    - **No PIP System:** Policies and procedures do not contain any guidance to assess severity of any reported contract performance issues and do not specifically address the Cooperative Agreement requirements to implement a PIP system including reporting of any PIPs to the Commission.
    - **NIB Organizational Changes and Evaluation of Quality Systems:** In January 2021, responsibility for quality assurance was reassigned to the new Director, Enterprise Risk Management (ERM). Prior to this date, the PMQA reported into the Contracting and Pricing Support department. There were further changes in personnel with the PMQA retiring in September 2021 and a new Quality Management System (QMS) Manager hired in May 2022. These organizational changes led to NIB taking the following key steps:
        - The Director, ERM evaluated NIB's quality systems and policies/procedures, determined updates were needed, and identified gaps in implementation and recordkeeping under current policies and procedures. For example, there was no CAR tracking report maintained and only one written CAR report related to products was found for FY 2019 to 2021. This CAR report was for a shipping/delivery issue and not related to product quality.
        - In the fourth quarter of 2022, the QMS Manager created a CAR Tracking Log, a CAR template, and began appropriately maintaining CAR documentation.
        - NIB officials also told us they began revising policies and procedures, including reporting of CARs to the Commission, and developing a new Quality Manual. However, the focus remains on NIB deliverables and processes and therefore, for AbilityOne products, on contracts where NIB is prime.

NIB has Product Directors and SA has Product Account Managers who have primary responsibility for the overall NPA and Government customer relationship, including tracking and resolution of any contract performance issues as discussed above. Each CNA also has quality and engineering personnel that provide technical assistance to NPAs to assist them in maintaining contract performance. As shown in Figure 3

below, we noted differences between the CNAs in the organizational structure of personnel involved in the quality processes, types of technical assistance, documentation requirements, and frequency of interactions.

Figure 3: CNA Quality Process Personnel and NPA Technical Assistance

Description	NIB	SA
Primary Liaison with NPAs:		
Personnel	4 Product Directors with 5 Product Managers under them	11 Product Account Managers
Structure	Organized by line of business (LOB) (e.g., commodities, textiles, etc.).	Organized by 6 geographical regions.
Products on PL as of 9/30/2021	1,226	520
NPA Reviews and Assistance	Ad hoc visits, including as part of NIB team with engineers and other executives, as deemed necessary.	Annual Site Visit with quarterly touch points** • Primary focus is not on quality, but some quality topics are covered. • Written trip report is required for site visit. • Written report entry is required for other planned customer interactions. • Actual visits/planned interactions:** FY2019 – 478 FY2020 – 333 FY2021 – 279
Quality Department:		
Personnel	Director, ERM QMS Manager	Director of Quality, 3 managers (1 with primary focus on products) and 1 staff
NPA Reviews and Assistance	None – Conducted by engineers as discussed below.	**Quality Assessments** • Only for NPAs where SA is prime, which is a limited number.

Description	NIB	SA
		• Written report required. • Target 10-12 NPAs per year. • Various factors considered in NPA selection, such as input from Product Account Managers, and issues reported in prior years. • Actual assessments:**** FY2019 – 13 FY2020 – 1 FY2021 – 5 **Technical Support Requests** • Internal SA request for quality support and other types of technical support. • Received on ad hoc basis. Tracked in Business Tech Support dashboard but as no LOB category for products, unable to identify requests specific to products[12].
Engineers:		
Personnel	**Product engineers** (Director, 2 engineers, and 1 support staff) – primarily focused on pre-PL activities **Productivity engineers** (Director, 2 engineers, 2 technical trainers) – primarily focused on post-PL activities such as process improvements including blind conversions, troubleshooting if quality or other issues arise, and training.	**Productivity engineers** (Director, Manager, 5 engineers) – primarily focused on process efficiencies, evaluation and modification of equipment, and processes to meet customer quality expectations, customized jig and device design, and onsite trainings.

[12] SA officials told us an enhancement was made after FY2021 to add a "Products" category for separate tracking.

Description	NIB	SA
NPA Reviews and Assistance	**Capability Reviews**, which include review of NPA quality processes and certifications, by Product Engineers. • Written report required. • Target each NPA every 18-24 months. • Actual reviews: * FY2019 – 29 FY2020 – 0 FY2021 – 20 **Ad Hoc Visits/Assistance** by Productivity Engineer Group • Written report required for engineers and stored on shared drive, but no tracking log maintained. • Email documentation for technical trainers.	**Ad Hoc Visits/Assistance** • No formal process in place. • No specified documentation requirements.

Source: Discussion with NIB and SA officials and data provided by NIB and SA for FY 2019 to 2021. PLIMS Product Extract reports as of 9/30/2021 provided by the Commission.

* COVID-19 impacted normal cycles in FY 2020 and 2021 and in FY 2021, 16 of 20 reviews were completed virtually. Data presented includes reviews completed at multiple locations for some NPAs.
** Estimated visits/interactions is 460 per year (Average of 92 NPAs for FY 2019-2021 x 5 visits/interactions). COVID-19 impacted normal cycles in FY 2020 and 2021.
*** Quality Assessments limited to this scope due to COVID-19.
**** COVID-19 impacted normal cycles in FY 2020 and 2021.

FINDING 2: COMMISSION PROCEDURES AND DATA REQUESTED TO MONITOR PRODUCT QUALITY ARE NOT SUFFICIENT, WHICH REDUCES EFFECTIVENESS

The Commission does not have adequate procedures in place or obtain sufficient data from NPAs, CNAs, or Federal customers to make an informed decision regarding NPA compliance with contract performance requirements. This includes strict adherence to quality standards and delivery requirements[13], one of the requirements for NPAs to maintain qualification under the AbilityOne Program. This is inconsistent with the *Green Book,*[14] which requires management to continuously monitor control activities, evaluate effectiveness, and respond to issues identified. Additional details regarding procedures and data for the two key components, quality processes and quality complaints, are outlined below. The Commission does not currently request any feedback directly from Federal customers regarding contract performance.

[13] Delivery requirements is outside the scope of this audit.
[14] See principles 16 and 17 in the Green Book.

Quality Processes

NPAs are required to have quality systems in place to meet the AbilityOne Program and FAR requirements to furnish commodities in strict accordance with Government orders. However, the only data the Commission receives related to NPA quality systems is an overview of quality assurance practices included in the Project Development Plan (PDP) the CNAs submit as part of the documentation package to the Commission for a PL addition. For the quality assurance section of the PDP, the Commission's requirement is to "Describe the NPA's Quality Control Plan (QCP) for this project, including any certifications that will be applied to this project. The description of the QCP should not address Past Performance. Required for both Prime and Subcontractors." The Commission does not currently require any updated information on an ongoing basis once the NPA is designated as a mandatory sole source provider for the new PL addition.

Further, the Commission primarily uses compliance visits to NPAs, periodic reporting of key data from the CNAs, and review of NPA Annual Representations and Certifications (AR&C) to monitor NPA compliance. Under the Commission's Cooperative Agreements with the CNAs, each CNA has in place an NPA Oversight Protocol, which includes standard operating procedures to facilitate consistent application of NPA oversight activities and requires reporting to the Commission. CNAs are required to conduct Regulatory Review and Assistance Visits[15] (RRAVs) with NPAs each year. Under the RRAV, the CNA obtains and reviews documentation to assess whether the NPA is compliant or non-compliant with each of the Commission-defined compliance categories. CNAs prepare a summary of findings including deficiencies requiring corrective action, track, and close-out corrective actions, and submit data to PLIMS. These compliance categories generally align with the NPA requirements to maintain qualification under the AbilityOne Program; however, there is no category related to contract performance.

In addition, the NPA AR&C does not contain any questions regarding adherence to contract performance requirements for products on the PL that the NPA furnished to the Government during the FY. Lastly, NPAs only report total product sales during the FY on the AR&C, which is uploaded to PLIMS. While the CNAs use their proprietary systems to collect disaggregated sales data from NPAs by PL number or National Stock Number (NSN),[16] the Commission does not have access to this information and has not requested that the CNAs provide this data to them. Having this data available could provide useful information to assist the Commission in determining and evaluating risks that NPAs do not correct product deficiencies prior to delivery (i.e., considering sales dollars, nature of product, complexity, etc.). For example, a product that is manufactured from raw materials may be more complex and higher risk than a product where individual components are obtained from external commercial vendors and assembled. Commission and CNA officials told us that many AbilityOne products on the PL are components that are assembled by the NPA. However, there are many products within certain lines of business (i.e., apparel and equipment) in which NPAs use raw materials to manufacture the finished product.

A summary of FY 2021 NPA product sales for each CNA is presented below in Figure 4.

[15] NIB refers to these as Technical Assistance Visits (TAVs). On February 1, 2023, the Commission paused these routine RRAVs/TAVs to consider public feedback on three updated draft Commission compliance policies, retrain staff, and develop updated compliance materials for the NPA community. The pause is expected to conclude before the end of FY 2023.

[16] SA tracks sales by PL number and NIB tracks sales by NSN. Each NSN is associated with a PL number.

Figure 4: FY 2021 Product Sales by CNA

Description	NIB	SA
All NPAs		
FY 2021 Product Sales (a)	$724,355,054	$407,616,873
Number of NPAs	48	86
% of Producing NPAs (products and services) as of 9/30/2021	84%	22%
Top NPAs**		
FY 2021 Product Sales (b)	$601,610,222	$346,264,873
% of Sales (b)/(a)	83%	85%
Number of NPAs	19	17

Source: FY 2021 sales data by NPA provided by NIB and SA and disaggregated sales data for NPAs by NSN provided by NIB and PL number provided by SA.

**NPAs with FY 2021 product sales greater than $12 million for NIB and $5 million for SA.

The Commission does not require tracking or reporting of whether NPAs have a current and valid International Organization for Standardization (ISO) 9001 certification. ISO 9001 is the internationally recognized standard that sets out the requirements for a quality management system (QMS). Being ISO 9001 compliant means the NPA has a QMS that is appropriate, effective, and focused on continuous improvement, thereby demonstrating their ability to consistently provide specified products and services that meet customer and regulatory requirements. This is another useful data point the Commission could use to evaluate NPA quality processes in place. SA officials told us they do not currently obtain or formally track NPA ISO 9001 certifications; however, NPAs can self-report certifications to SA, and this information is included in the annual site visit trip report. NIB officials told us that while they do request and obtain NPA ISO 9001 certifications during periodic capability and engineering reviews, they do not have an effective tracking system in place to ensure completeness. However, NIB officials also informed us they are developing an online tool expected to launch in FY 2023 for NPAs to upload a copy of their ISO certifications and expiration dates. Further, the system will send out automatic reminders to NPAs to upload a new certificate when the current certificate expires.

Quality Complaints

The Commission receives limited data on product quality complaints, and the lack of Commission guidance to CNAs regarding their quality control processes affects the availability and usefulness of data. As discussed above in Finding 1B, the only data CNAs are required to provide to the Commission relate to initiation and closure of a formal PIP developed for an NPA to correct product deficiencies or other

contract performance issues. During FY 2019 to 2021, NIB and SA reported no PIPs to the Commission regarding product quality. Further, as discussed above in Finding 1A, because the Commission policies are insufficient and lack procedural implementation guidance, NIB and SA officials told us that there is an increased risk that NPAs do not properly notify their affiliated CNA of all quality complaints received from Federal customers.

Regarding quality complaints that the CNAs determined did not require reporting to the Commission, SA's issue tracking system in FOA captured 11 issues related to contract performance for products during FY 2019 to 2021, three of which related to quality. As discussed above, NIB did not have an accurate issue tracking system in place during FY 2019 to 2021 and located one written CAR for products during this period that was unrelated to product deficiencies.

Further, Commission, NIB, and SA officials told us that the volume of Government customer complaints received regarding product quality has historically been low. According to these officials, one key factor driving this outcome are the practices NPAs and their representing CNAs have in place to support the assertion that the NPA can provide the product in accordance with the customer's requirements when proposing an addition to the PL. However, as discussed above, this occurs as of a point in time. Another key factor is the requirements and inspections conducted by the AbilityOne Program's largest customer, DoD. For example, many products must be Berry Amendment compliant. The Berry Amendment requires that all materials and labor must be made/sourced in the United States. DoD maintains an approved list of suppliers. Also, DoD QAR inspectors perform First Article Testing of products prior to the first shipment. If there are issues, CNAs work with the NPA to correct any deficiencies.

Conclusions and Recommendations

Overall, we concluded that the Commission's policies and procedures regarding product quality comply with applicable laws and regulations. Further, the Commission has taken steps to improve the transparency of its policies and procedures by updating three relevant compliance policies in FY 2020 or 2021. Lastly, each CNA has policies and procedures related to quality control processes in place to provide technical assistance to NPAs including resolving issues related to product deficiencies.

However, the Commission has several opportunities to improve the effectiveness of its policies, procedures, and practices to monitor product quality and the quality control processes employed by the CNAs and NPAs to correct product deficiencies prior to delivery. This includes further updating and enhancing its policies, improving guidance to NPAs and CNAs, and implementing practices to obtain sufficient data from NPAs, CNAs, and Federal customers to make an informed decision regarding NPA compliance with contract performance requirements. While the Commission's compliance policies adequately outline the respective roles and responsibilities of the NPAs, CNAs, and the Commission regarding the requirement that NPAs strictly meet Government specifications to deliver products that comply with contract terms, including quality standards, to maintain qualification to participate in the AbilityOne program, the policies only address these requirements at a high level. Also, the policies contain no procedural implementation guidance to effectively evaluate this NPA qualification requirement, and do not address a key area included in the AbilityOne Program regulations – customer (i.e., contracting activity) complaints regarding contract performance including product quality and handling of inquiries and disputes.

There is also an opportunity for the Commission to improve its guidance to CNAs regarding quality control processes established to oversee and assist NPAs to ensure successful contract performance and compliance in furnishing a product to the Government. This would reduce inconsistencies in practice and increase the usefulness of data available to the Commission to inform their decision-making. CNAs have largely been given discretionary authority to design their quality control processes which has resulted in inconsistencies in the scope and level of detail of policies and procedures, assessment and tracking of quality complaints, types of technical assistance provided to NPAs, documentation requirements, and frequency of interactions with NPAs. Further, the only data CNAs are currently required to provide the Commission relates to the initiation and closure of a PIP. CNAs determine, at their discretion, product quality issues that are significant to require a PIP.

Lastly, we identified opportunities for improvement related to the Commission's oversight, procedures, and data requested from NPAs, CNAs, or Federal customers to provide sufficient and relevant information needed to inform their decision-making regarding NPA compliance with contract performance requirements. We assessed procedures and data for two key components, quality processes and quality complaints. We found that the Commission has not established criteria or metrics (e.g., ISO 9001 certification) to measure NPA compliance or implemented procedures and reporting mechanisms to collect necessary data from all parties and document the evaluation and assessment of NPA compliance in PLIMS. Designing a risk-based approach that considers relevant factors such as nature of the product, manufacturing complexity, sales volume, and sales dollars would be beneficial given the limited Commission and CNA resources. Further, the Commission currently requires and receives limited data from NPAs and CNAs with respect to both components and is not using its key tools (i.e., compliance visits to NPAs and NPA AR&Cs) to monitor NPA compliance with contract performance requirements. Lastly,

the Commission has no mechanisms in place to solicit feedback directly from Federal customers which increases the risk that NPAs do not properly notify their affiliated CNA of all quality complaints received.

Taking these steps could strengthen controls by providing the Commission with comparable and sufficient data in a timely manner and a means to objectively evaluate NPA compliance while also reducing the risk that quality complaints are not properly and timely reported and resolved.

Based on our conclusions, we recommend that the Commission take the following actions to improve its controls over product quality:

1. Update the Commission's compliance policies to incorporate all key elements in the AbilityOne and FAR regulations regarding contract performance which includes product quality. Further, add procedural guidance, including documentation requirements, that is complete and sufficient to implement the policies. Key elements include the following: (Finding 1A)
    a. NPA quality systems in place to furnish products that meet Government specifications under the contract and correct product deficiencies prior to delivery;
    b. Reporting of quality complaints including handling of inquiries and disputes; and
    c. Monitoring and evaluation of NPA compliance with these requirements.

2. The Commission should determine and develop written documentation of criteria/metrics, data needed from all stakeholders (i.e., NPAs, CNAs, and Federal customers), reporting tools and/or mechanisms, and procedures needed to monitor, evaluate, and assess NPA compliance with contract performance requirements including strict adherence to quality standards. This should include documentation of this evaluation and assessment of NPA compliance in PLIMS. (Finding 2)

3. Develop and implement written procedures that provide Commission requirements and guidelines to CNAs regarding quality control processes they have established to oversee and assist NPAs to ensure successful contract performance and compliance in furnishing a product to the Government. This should include all key elements (e.g., assessment and tracking of quality complaints, types of technical assistance provided to NPAs, documentation requirements, and frequency of interactions with NPAs) and ensure data provided to the Commission is comparable and sufficient to inform their decision-making. (Finding 1B)

Evaluation of Management Comments

In commenting on a draft of this report, the Executive Director "concurred with modification" for all three of our recommendations. In reviewing management's response and corrective action plans (CAPs), management cited two significant ongoing projects that impact relevant current business processes as the rationale for the modified approach: (1) planned changes to its overall approach to oversight and compliance by redefining the responsibilities and expectations for the Commission staff and the designated CNAs to align with the Commission's new Strategic Plan direction; and (2) the upgrade/modernization of PLIMS, including changes in workflow processes to collect data from CNAs and NPAs more effectively.

For management's complete response, see Appendix D.

Appendix A: Objectives, Scope, and Methodology

We conducted this performance audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States from January 2021 – May 2023. Those standards require that we plan and perform the performance 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives and Scope: Our audit objective was to assess the reliability, validity, and relevance of the quality control process employed by the CNAs and NPAs to correct product deficiencies prior to delivery. Our scope included assessing the effectiveness of the policies, procedures, and practices employed by the Commission, CNA's and NPAs for determining and correcting issues with product quality. We also evaluated whether the procedures implemented by the Commission and CNAs are transparent (e.g., adequately documented), and promote efficiency, and effectiveness. We reviewed relevant Commission and CNA data and reports related to the quality control processes and complaints during FY 2019, 2020, and 2021.

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 Commission and the CNAs. We collected and reviewed key documents containing suitable criteria and analyzed data relevant to our audit objectives. We also performed the following procedures:

- We reviewed the JWOD Act and AbilityOne Program regulations, identified provisions relevant to contract performance specifically related to product quality, and summarized them by major category (i.e., roles and responsibilities, quality of merchandise produced, and quality complaints). We then reviewed and analyzed three relevant Commission compliance policies and procedures in the 51.400 series against these statutory and regulatory requirements. We also reviewed the Commission's Cooperative Agreements with the CNAs and Federal Acquisition Regulation Subpart 8.7, *Acquisition From Nonprofit Agencies Employing People Who Are Blind or Severely Disabled*, for sections related to product quality including roles and responsibilities. Further, we reviewed the Commission's three general policies in the 51.100 series to gain an understanding of the overall policy system and structure as well as definitions of common terms used throughout the policy system.

- We reviewed the internal controls the Commission and CNAs had in place for managing and overseeing the Quality of Products Program administered by the CNAs. This included determining whether the Commission had provided sufficient guidance to the CNAs regarding the quality control processes they have established to provide regulatory assistance to the NPAs they represent, and to facilitate and support the NPAs in maintaining qualification. We performed a comparison to the provisions in the *Green Book* on identifying information requirements, and noted the extent to which key elements were incorporated in the internal control system that supported the quality assurance function. Specifically, we determined that four components of the Green Book were significant to our audit objective: Risk Assessment, Control Activities, Information and Communication, and Monitoring.

- For the CNAs, we obtained and reviewed key policies and procedures related to the quality control processes in place to provide technical assistance to NPAs including resolving issues related to product deficiencies.

- We obtained PLIMS product extract data as of FY end (i.e., September 30), 2019, 2020, and 2021 from the Commission. We used PL transaction data and other information provided by the Commission to validate changes between periods. We also obtained NPA product sales data from the CNAs for FY 2019, 2020, and 2021 and product/account manager assignments. We used annual sales data per the NPA AR&Cs to validate the reasonableness of total sales for FY 2019, 2020, and 2021. We determined that the data provided were sufficiently reliable for the purposes of our audit. We performed data analysis procedures to merge product extract reports for FY 2021, NPA sales detail by PL number or NSN for FY 2021, and CNA product/account manager assignments, summarized key fields, and reviewed the combined sales and PL data to gain an understanding of the nature of products sold and Federal contracting activities.

- We conducted interviews with key Commission and CNA personnel and obtained relevant and available data and reports from the CNAs related to quality process reviews at the NPAs, product quality complaints and corrective actions for FY 2019, 2020, and 2021.

Appendix B: Relevant Policies and Procedures

Policy Number	Policy or Procedure Title	Effective Date
51.100 Series: General Policies		
51.100	AbilityOne Program Policy Statement	04-24-2012
51.101	AbilityOne Program Policy System	08-23-2012
51.102	Definitions of Terms	03-08-2015
51.400 Series: NPA Compliance Policies		
51.400	NPA Overall Compliance Policy	08-15-2020
51.403	NPAs Out of Compliance with Commission Regulations	11-12-2020
51.409	Maintaining Qualification of NPAs	08-15-2020

Source: CLA review of the Commission's published policies and procedures.

Appendix C: List of Abbreviations

Abbreviation	Definition
AR&C	Annual Representations and Certifications
CAP	Corrective Action Plan
CAR	Corrective Action Request
CNA	Central Nonprofit Agency
DoD	Department of Defense
FAR	Federal Acquisition Regulation
FOA	Front Office Automation
FY	Fiscal Year
ISO	International Organization for Standardization
JWOD	Javits-Wagner-O'Day
LOB	Line of Business
NIB	National Industries for the Blind
NPA	Nonprofit Agency
NSN	National Stock Number
PDP	Project Development Plan
PIP	Performance Improvement Plan
PL	Procurement List
PLIMS	Procurement List Information Management System
PMO	Program Management Office
PMQA	Product Manager, Quality Assurance
QAR	Quality Assurance Representative
QCP	Quality Control Plan
SA	SourceAmerica

Appendix D: Management Comments

U.S. ABILITYONE COMMISSION
355 E STREET SW, SUITE 325
WASHINGTON, DC 20024

October 30, 2023

VIA EMAIL

MEMORANDUM FOR THE INSPECTOR GENERAL

FROM: Kimberly M. Zeich, Executive Director Kimberly M. Zeich

SUBJECT: Management Response to the Draft Performance Audit Report of the "Audit of the Quality of Products in Support of Meeting Government Requirements"

On behalf of the U.S. AbilityOne Commission (Commission) and Chairperson Jeffrey A. Koses, thank you for the opportunity to review and comment on the findings of the Draft Performance Audit Report of the "Audit of the Quality of Products in Support of Meeting Government Requirements." In light of our mission -- to tap America's underutilized workforce of individuals who are blind or have significant disabilities to deliver high quality, mission-essential products and services to Federal agencies in quality employment opportunities -- the products furnished under the AbilityOne Program must be high quality and fully meet our customers' requirements.

We note that the audit found the Commission's policies and procedures regarding product quality comply with applicable laws and regulations. The audit also identified improvements that can be made to the Commission's policies and procedures related to nonprofit agency (NPA) contract performance, central nonprofit agency (CNA) quality control processes related to NPA contract performance, and data collection to support the Commission's oversight of contract performance as well as its decision-making about the suitability of future products.

We appreciate the audit team's attention to these important areas, which are highlighted in the Commission's FY 2022-2026 Strategic Plan, released on June 30, 2022. While the Commission is already more than a year into implementation, having an outside perspective and third-party review of the gaps and opportunities for improvement is helpful as we move forward.

The Commission generally concurs with the auditors' findings and recommendations to enhance the policies and procedures applicable to the NPAs and CNAs for quality performance and quality control, respectively. As reflected in the Strategic Plan, the Commission is transforming its overall approach to oversight and compliance by redefining the responsibilities and expectations for the Commission staff and the designated central nonprofit agencies (CNAs). For this reason, and to ensure that our implementation efforts are as efficient as possible, we have identified a slightly modified approach or work plan to address these recommendations, detailed below.

The Commission also concurs with the recommendation to develop a methodology for data collection and assessment to better monitor, measure, and maintain quality contract performance, and to consider this information in the Procurement List decision-making process. Again, this

recommendation aligns with the Commission's Strategic Plan implementation, particularly our increased emphasis on customer satisfaction. We noted a slight modification in our approach, in order to maintain flexibility as the Commission's legacy information management and Procurement List workflow system is undergoing a significant modernization.

Our points of contact for this response are John Konst, Director of Oversight and Compliance (703-798-6198 or jkonst@abilityone.gov), and Amy Jensen, Acting Deputy Executive Director (703-593-9411 or ajensen@abilityone.gov).

cc: Jeffrey A. Koses, Chairperson

Attachment: Detailed Responses to Recommendations, Audit of the Quality of Products in Support of Meeting Government Requirements

Detailed Responses to Recommendations: Audit of the Quality of Products in Support of Meeting Government Requirements:

Audit Recommendation #1: Update the Commission's [NPA-focused] compliance policies to incorporate all key elements in the AbilityOne and FAR regulations regarding contract performance which includes product quality. Further, add procedural guidance, including documentation requirements, that is complete and sufficient to implement the policies. (Finding 1A)
Key elements include the following:

a. NPA quality systems in place to furnish products that meet Government specifications under the contract and correct product deficiencies prior to delivery;
b. Reporting of quality complaints including handling of inquiries and disputes; and
c. Monitoring and evaluation of NPA compliance with these requirements.

***Commission Response*:** Concur, with modification. Target Date: September 30, 2024.

The Commission is in the process of updating its policies governing NPA compliance with AbilityOne Program requirements. Upon completion of the first seven compliance policies (Policies 51.400 – 51.407), the Commission will draft, solicit feedback, and finalize a policy addressing NPA contract performance and the quality of the AbilityOne products (and services) that NPAs deliver. In the same policy, the Commission will provide guidance to the CNAs regarding their responsibilities to administer quality control processes supporting the NPAs' contract performance. The guidance will set forth expectations for the CNAs to assess, track, and resolve quality complaints as well as provide technical assistance and administer performance improvement plans, as needed. This comprehensive policy, with sufficient procedural guidance to facilitate implementation, will implement Recommendations #1 and #3.

Additionally, the Commission will develop updated Cooperative Agreements with the CNAs that align with the new compliance policies and clearly articulate the CNAs' responsibilities related to the quality of products (and services) on the Procurement List. The Commission anticipates completing the updated Cooperative Agreements by May 31, 2024.

Audit Recommendation #2: The Commission should determine and develop written documentation of criteria/metrics, data needed from all stakeholders (i.e., NPAs, CNAs, and Federal customers), reporting tools and/or mechanisms, and procedures needed to monitor, evaluate, and assess NPA compliance with contract performance requirements including strict adherence to quality standards. This should include documentation of this evaluation and assessment of NPA compliance in PLIMS. (Finding 2)

***Commission Response*:** Concur, with modification. Target Completion Date: March 31, 2025.

The Commission will develop and implement a methodology to collect the necessary data to monitor, evaluate, and assess NPA compliance with contract performance requirements. Our implementation activities will include any necessary updates to the Commission's data collection authority and forms.

This performance data and related assessments will be accessible through the Commission's updated information management and Procurement List workflow system. We believe this meets the intent of the recommendation, to facilitate the Commission's review and consideration of NPAs' compliance with contract requirements in the Procurement List decision-making process, while recognizing that the Commission's current information management and workflow system is undergoing a significant modernization. As reflected in the Strategic Plan, the Commission will implement a system for the CNAs and NPAs to share data more effectively with us in the future. Accordingly, the new system is expected to differ from the legacy system (PLIMS) cited in the audit report. Deployment of the updated system is scheduled for early FY 2025; thus, full implementation of this recommendation will be possible in the second quarter of FY 2025.

Audit Recommendation #3: Develop and implement written procedures that provide Commission requirements and guidelines to CNAs regarding quality control processes they have established to oversee and assist NPAs to ensure successful contract performance and compliance in furnishing a product to the Government. This should include all key elements (e.g., assessment and tracking of quality complaints, types of technical assistance provided to NPAs, documentation requirements, and frequency of interactions with NPAs) and ensure data provided to the Commission is comparable and sufficient to inform their decision-making. (Finding 1B)

***Commission Response*:** Concur, with modification. Target Date: September 30, 2024.

As described in response to Audit Recommendation #1, the Commission will draft, solicit feedback, and finalize a policy that addresses NPAs' contract performance and the quality of products (and services) that NPAs furnish under the AbilityOne Program. In the same policy, the Commission will provide guidance to the CNAs regarding their responsibilities to administer quality control processes supporting the NPAs' contract performance. The guidance will set forth expectations for the CNAs to assess, track, and resolve quality complaints as well as provide technical assistance and administer performance improvement plans, as needed. This comprehensive policy, with sufficient procedural guidance to facilitate implementation, will implement Recommendations #1 and #3.

Additionally, the Commission will develop updated Cooperative Agreements with the CNAs that align with the new compliance policies and clearly articulate the CNAs' responsibilities related to the quality of products (and services) on the Procurement List. The Commission anticipates completing the updated Cooperative Agreements by May 31, 2024.