




## Office of Inspector General

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

November 15, 2023

#### MEMORANDUM

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

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

**SUBJECT:** FY23 Top Management and Performance Challenges Report (TMPC) facing the  
U.S. AbilityOne Commission in Fiscal Year 2024

In accordance with the Reports Consolidation Act of 2000,<sup>1</sup> the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission) in FY24, for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year (FY) 2023.

The Reports Consolidation Act requires that each agency's inspector general provide an annual summary perspective on the most significant management and performance challenges facing the agency, as well as a brief assessment of the agency's progress in addressing those challenges. The top challenges summarized in this document are based either on work conducted by the Office of Inspector General (OIG) or separate observations and discussions with senior leaders and staff at the U.S. AbilityOne Commission and other stakeholders.

The OIG identified the Top Management and Performance Challenges (TMPC) facing the Commission in FY 2024 as:

- 1) Implementation of the Strategic Plan:<sup>2</sup> a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance; b) Successful Implementation of the Section 898 Panel Recommendations; c) Use of an Enterprise-wide Risk Management (ERM) Framework.
- 2) Breakdowns in Internal Control over Financial Management and Reporting

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<sup>1</sup> Pub. L. No. 106-531.

<sup>2</sup> U.S. AbilityOne Commission's Strategic Plan for FY 2022–2026. June 30, 2022. The Plan has four strategic objectives and directly engages top challenges identified in the OIG's TMPC reports.

Appendix A – Watch Item 1: List of Unimplemented OIG Audit Recommendations

Watch Item 2: Program Growth and Resulting Risk

Appendix B –898 Panel Recommendations for Commission action.

OIG provided a draft of this report to Commission management, whose comments on the Commission’s progress in each challenge area have been considered and/or incorporated into this final version.

We thank you for your support of our role, and we look forward to working with the Commission and the AbilityOne stakeholders, as the OIG continues its oversight mission.

# Top Management and Performance Challenges Report

## Introduction

In accordance with the Reports Consolidation Act of 2000,<sup>3</sup> the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission) in Fiscal Year (FY) 2024, for inclusion in the Commission's Performance and Accountability Report (PAR) for FY23.

The Reports Consolidation Act requires that each agency's inspector general provide an annual summary perspective on the most significant management and performance challenges facing the agency, as well as a brief assessment of the agency's progress in addressing those challenges. The top challenges summarized in this document are based either on work conducted by the Office of Inspector General (OIG) or separate observations and discussions with the U.S. AbilityOne Commission and other stakeholders.

The OIG identified the top management and performance challenges facing the Commission in FY24 as:

- 1) Implementation of the Strategic Plan
  - a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance
  - b) Successful Implementation of the Section 898 Panel Recommendations
  - c) Use of an Enterprise-wide Risk Management (ERM) Framework
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Appendix A – Watch Item 1: List of Unimplemented OIG Audit Recommendations  
Watch Item 2: Program Growth and Resulting Risk

Appendix B –898 Panel Recommendations for Commission action.

OIG provided a draft of this report to Commission management, whose comments on the Commission's progress in each challenge area have been considered and/or incorporated into this final version. We appreciate the Commission's ongoing support for the OIG's oversight mission.

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## Background

Enacted in 1938, the Wagner-O’Day Act established the Committee on Purchases of Blind-Made Products to provide employment opportunities for the blind. Legislation sponsored by Senator Jacob K. Javits was signed in 1971, amending and expanding the Wagner-O’Day Act to include persons with other severe disabilities. The Act, as amended, became known as the Javits-Wagner-O’Day (JWOD) Act (41 U.S.C. §§8501–8506), and the program’s name became the JWOD Program. The 1971 amendments also established the federal agency as the Committee for Purchase From People Who Are Blind or Severely Disabled (Committee) to reflect the expanded capabilities of the JWOD Program. In 2006, the Committee changed the program’s name from the JWOD Program to the AbilityOne Program. The Committee is now known as the U.S. AbilityOne Commission (Commission). The Commission has about 34 full-time employees<sup>4</sup> for the administration of the AbilityOne Program.

### About the U.S. AbilityOne Commission

The AbilityOne Program is administered by the U.S. AbilityOne Commission, the operating name of the Committee for Purchase from People Who Are Blind or Severely Disabled. The Commission is an independent Federal agency composed of 15 Presidential appointees: 11 represent Federal agencies, and four serve as private citizens who are knowledgeable about employment barriers facing people who are blind or have significant disabilities.

### About the AbilityOne Program

The AbilityOne Program facilitates the use of government procurement to provide employment in the United States for people who are blind or have significant disabilities. Approximately 40,000 individuals, including more than 2,500 veterans, are employed nationwide at approximately 450 nonprofit agencies (NPAs) from Maine to Guam. AbilityOne provided nearly \$4 billion in products and services to approximately 40 Federal government agencies in FY 2022.

In June 2022, the U.S. AbilityOne Commission issued its new Strategic Plan.<sup>5</sup> The plan is for Fiscal Years (FY) 2022-2026 and outlines four Strategic Objectives:

1. Transform the AbilityOne Program to expand competitive integrated employment (CIE) for people who are blind or have significant disabilities.
2. Identify, publicize, and support the increase of good jobs and optimal jobs in the AbilityOne Program.
3. Ensure effective governance and results across the AbilityOne Program.
4. Engage in partnerships to increase employment for people who are blind or have significant disabilities within and beyond the AbilityOne Program

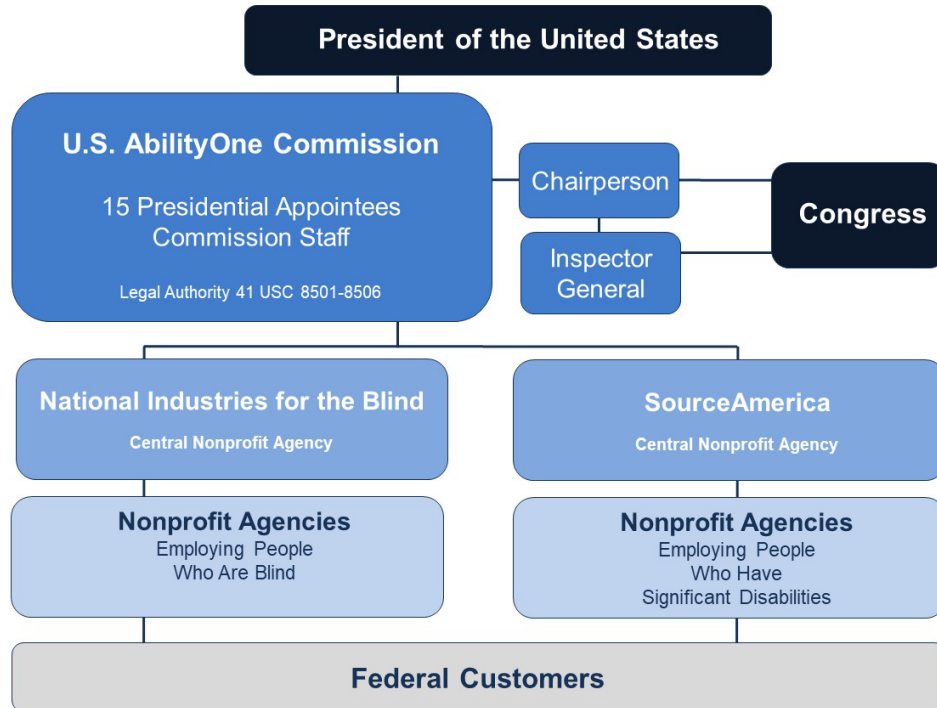
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<sup>4</sup> Thirty-four full-time employees at the end of FY23. This does not include the OIG.

<sup>5</sup> U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022.

Figure 1:

## AbilityOne Program Organization



# Top Management and Performance Challenges

## 1) Implementation of the Strategic Plan

In June 2022, the Commission published its Strategic Plan for Fiscal Years 2022–2026 (the Strategic Plan or Plan).<sup>6</sup> The Plan has four strategic objectives and directly engages the top challenges identified in the OIG’s 2021 TMPC report.

Specifically, the Commission’s Plan Strategic Objective III, “Ensure Effective Governance and Results Across the AbilityOne Program”—incorporates outcomes of OIG’s oversight work. Under Strategic Objective III, Outcome Goal 1, the Commission expressed its intent to “Address top management and performance challenges to improve the operation of the Commission, the CNSs, and the NPAs.”

In this FY2023 report, OIG identified the implementation of the Strategic Plan, with its subsets, as one of the most pressing challenges facing the Commission in FY24.

- 1) Implementation of the Strategic Plan
  - a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance
  - b) Successful Implementation of the Section 898 Panel Recommendations
  - c) Use of an Enterprise-wide Risk Management (ERM) Framework

## Implementation of the Strategic Plan

### a) Implementation of new Cooperative Agreements with the CNAs to Modernize and Enhance Program Compliance

The U.S. AbilityOne Commission’s mission, as outlined in its new Strategic Plan, requires work to be carried out collaboratively by the Central Nonprofit Agencies (CNAs) and the NonProfit Agencies (NPAs) with the Commission.

“The Commission’s vision requires changes in the Commission’s approach to NPA compliance for the purpose of conducting both oversight and technical assistance within the same operational framework. This shift will require the CNAs’ steadfast commitment to support and achieve the goals of this plan.”<sup>7</sup>

Given the role in the Strategic Plan of the CNAs and NPAs, achieving the AbilityOne mission outlined in the new Strategic Plan will require new and updated cooperative agreements. Alignment with the Strategic

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<sup>6</sup> U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022. [AbilityOne Strategic Plan FY 2022-2026 Final](#). The Commission has also published a summary of its Strategic Plan. [Highlights-AbilityOne Strategic Plan FINAL](#)

<sup>7</sup> Message from the U.S. AbilityOne Commission Chairperson, U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022. <https://www.abilityone.gov/commission/documents/AbilityOne%20Strategic%20Plan%20FY%202022-2026%20Final.pdf>

Plan includes creating “good jobs” and, where possible “optimal jobs,” and delivering quality contract performance. Under Strategic Objective III, Outcome Goal 1, Strategy 3, the Commission identified its need to “Modernize and enhance the oversight of NPA compliance with the strategic direction of the AbilityOne Program.” To achieve this Objective and Strategy, the Commission has established two Performance Measures:

#### **Performance Measure 5**

The Commission’s compliance team is provided with full and timely access to all reports and data from the CNAs’ technical assistance reviews and site visits of associated NPAs.

#### **Performance Measure 6**

The Commission’s compliance team has identified and presented to the Commission at least five recommendations to continue to implement rigorous documentation requirements while making compliance visits more beneficial for the Commission and the NPAs.

### **Why This Is a Challenge**

Pursuant to 41 CFR Part 51-4, the Commission’s Oversight and Compliance Office assesses the 450 AbilityOne NPAs, with their 36,000 employees, for compliance with AbilityOne program requirements. Inspections by the Commission’s Compliance office include verification of the NPA’s direct labor hour ratios, eligibility requirements (i.e., NPA-provided documentation regarding the employee’s blindness or significant disability), and company health and safety standards.

The OIG audit of the Compliance Program<sup>8</sup> found that the Commission’s procedures to monitor program compliance are insufficient, including that the Commission’s procedures for reviewing compliance transactions are not documented, they do not request sufficient information from CNAs to monitor compliance, and weaknesses in the Commission’s approach to NPA compliance visits reduces overall effectiveness. In addition, the audit of the Compliance Program identified that some policies are still outdated, while others are incomplete and/or unclear.<sup>9</sup>

The audit findings presented an opportunity for the Commission to improve the quality of compliance monitoring, which will help identify risks for fraud, as reflected in civil fraud settlements with the Department of Justice by Goodwill Memphis,<sup>10</sup> Wisconsin-based Industries for the Blind and Visually Impaired,<sup>11</sup> and CW Resources, Inc.<sup>12</sup>

### **Progress in Addressing the Challenge**

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<sup>8</sup> OIG announcement of initiation of Audit of the Compliance Program, December 16, 2020, <https://www.oversight.gov/node/102316>

<sup>9</sup> Audit of the Compliance Program, report issued January 26, 2023. <https://abilityone.oversight.gov/reports/audit/audit-us-abilityone-compliance-program>

<sup>10</sup> <https://www.justice.gov/usao-wdtn/pr/memphis-goodwill-industries-inc-will-pay-150000-united-states-claims-were-violation>

<sup>11</sup> <https://www.justice.gov/opa/pr/wisconsin-based-nonprofit-pay-19-million-settle-allegations-false-claims-and-kickbacks>

<sup>12</sup> <https://www.justice.gov/usao-ct/pr/connecticut-employment-contractor-pays-600k-resolve-federal-false-claims-act-allegations>

## Modified Compliance Challenge

In its FY 2022–2026 Strategic Plan, the Commission envisions a new approach for compliance, which includes setting forth expectations that NPAs will meet new elements of compliance beyond the NPA’s appropriate documentation of a qualifying disability and achieving the mandated 75% Direct Labor Hour (DLH) ratio. This includes the expectation that every AbilityOne job will be a “good job” defined as follows:

- 1) Employees are paid competitive wages and benefits.
- 2) Employees are covered under all employment laws.
- 3) The NPA performs job customization for each entering employee with a qualifying disability.
- 4) The NPA does a person-centered employment plan for each employee with a qualifying disability.

The Strategic Plan also encourages NPAs to create “optimal jobs” whenever possible within the DLH ratio constraints of the statute. An optimal job has the four components of a good job but is also performed in an integrated setting in which people with and without disabilities work together doing the same or similar jobs.

The Strategic Plan also includes a heightened focus on contract performance as part of its compliance expectations. Compliance reviews will, therefore, focus on whether the NPA has provided quality services and products that have resulted in customer satisfaction.

The Commission has indicated that some NPAs have not traditionally focused on job customization, employment plans, and outward placements for their employees with disabilities.

The Commission stated that the Compliance Program, as newly envisioned in the Strategic Plan, will include a determination of an NPA’s technical capacity and financial resources to meet the new compliance expectations.

The Commission reported that several Commission members and staff met with CNAs National Industries for the Blind (NIB) and SourceAmerica on April 11, 2023, to begin discussing some of the necessary updates to and elements of the next Cooperative Agreements. The Commission further reported that it also met several times with AbilityOne nonprofits (the “compliance council”) and other stakeholders to discuss the draft policies.

The Commission notes that, with the new Strategic Plan, the CNAs must actively assist their NPAs in achieving the results expected by the Commission for its AbilityOne Program. These expectations for the CNAs will be set forth in the revised Cooperative Agreements by the 4<sup>th</sup> quarter of FY 2024, once the Commission’s updated compliance policies have been issued. The Commission also noted that the CNAs will play a strong role in the implementation of the new approach to NPA compliance and that this will be considered when the Cooperative Agreements are negotiated.

In regard to the OIG performance audit of the Cooperative Agreements, in FY 2023, two of the open audit



recommendations related to the Cooperative Agreements were assessed as closed by the OIG. Those are tracked as PMO-2020-04 and PMO-2020-09. The Commission staff is working towards the closure of the remaining recommendations.

The Commission reports that it is in the process of updating its compliance policies to convey the new structure for compliance and the expectations of the CNAs in inspecting the NPAs, including the NPAs' obligations regarding workforce development activities. The Commission is also updating its compliance guidance for documenting a qualifying disability that will reduce burdens on the NPAs.

Specifically, in FY 2023:

- The Commission published three draft compliance policies for comment on January 31, 2023, and issued revised drafts of the three policies on April 5, 2023.<sup>13</sup>
  - Policy 51.400 articulates the Commission's new compliance approach; the CNAs' duties to ensure NPA compliance and provide frontline inspections; and the Commission's intended quality assurance oversight of the CNAs' compliance inspections.
  - Policy 51.403 articulates clearer and streamlined requirements for documentation of disability, relying on third-party government sources where possible.

The Commission has informed OIG that the first two updated compliance policies will be finalized and issued by the end of the first quarter of FY24.

- Policy 51.405 explicates the requirements for the NPAs' workforce development activities of job individualization, employee career plans, and career advancement programs.

The Commission has informed OIG that this policy will be finalized and issued after a contractor provides the Commission with substantive content for the workforce development activities.<sup>14</sup> The Commission has informed OIG that it expects to issue Policy 51.405 in January 2024.

- The Commission announced that it will issue five updated compliance policies addressing the initial and continuing qualifications of NPAs to participate in the program; the direct labor hour ratio requirement; NPAs' compliance with employment laws; and administrative actions by the Commission for purposes of corrective actions. The Commission has informed OIG that these draft policies will be issued for comment during the second quarter of FY 2024.

The updated expectations on the NPAs and the CNAs reflect a significant modernization of the AbilityOne program. This modernization responds to many of the concerns raised during the work of the 898 Panel. A top management challenge for the Commission is to successfully implement the new

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<sup>13</sup> <https://www.abilityone.gov/commission/draftcompliancepolicies.html>

<sup>14</sup> U.S. AbilityOne Commission Awards Contract for Developing AbilityOne Program Career Planning Support Resources, Celebrates 50th Anniversary of Rehabilitation Act of 1973. September 27, 2023, [U.S. AbilityOne Commission Awards Contract for Developing AbilityOne Program Career Planning Support Resources, Celebrates 50th Anniversary of Rehabilitation Act of 1973](#)

direction it has set out for the AbilityOne Program. The Commission's needs for it entail increased compliance staffing and resources.

## Implementation of the Strategic Plan

### **b) Successful implementation of Section 898 Panel Recommendations for Increased Accountability, Oversight, and Integrity in the Program**

In its Strategic Plan, the Commission specifically addresses the 898 Panel's remaining recommendations for Commission implementation.

#### Why This is a Challenge

Section 898 of the National Defense Authorization Act for Fiscal Year 2017 established the 898 Panel with the goal of increased accountability, oversight, and integrity in the AbilityOne program.

The Panel consisted of representatives, including the Office of the Secretary of Defense (DoD) and its DoD Inspector General (IG), the Chairperson for the U.S. AbilityOne Commission, and the U.S. AbilityOne Commission's Inspector General as members. The Panel's membership also consisted of senior leaders and representatives from the military service branches, Department of Justice, Commission, Department of Veterans Affairs, Department of Labor, the General Services Administration, and the Defense Acquisition University.

Section 898 of the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328) required the Secretary of Defense to establish the "Panel on Department of Defense and U.S. AbilityOne Contracting Oversight, Accountability and Integrity" ("the Panel"). In December 2021, the Panel sunset when it issued its fourth and final annual report to Congress, culminating more than four years of effort, including research, debate, and stakeholder engagement by a diverse Panel comprised of senior executives and staff from 10 Federal agencies.<sup>15</sup> Also, the final Report stated that a supplemental report would be sent to Congress on proposed amendments to JWOD and the Commission led that interagency effort from May 2022 to August 2022.<sup>16</sup>

The primary mission of the Panel was to identify vulnerabilities and opportunities in the Department of Defense contracting with the AbilityOne Program and recommend improvements. The Panel goals include improving the experience of the Department of Defense as a customer. The Panel established subcommittees to fulfill its duties as determined by Section 898(c), and working on implementing the recommendations involves several Agencies and disciplines. The 898 Panel issued its fourth, and final

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<sup>15</sup> Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity: Fourth and Final Annual Report to Congress (December 2021)

[https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report\\_0.pdf](https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report_0.pdf)

<sup>16</sup> Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability and Integrity: Fourth and Final Annual Report to Congress

(December 2021) [https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report\\_0.pdf](https://abilityone.oversight.gov/sites/default/files/reports/Fourth%20and%20Final%20898%20Report_0.pdf) (p. 26).

report in February 2022 to Congress.<sup>17</sup> The report provided progress on the implementation of the recommendations identified in the Panel’s previous three reports to Congress. This final report was the last of a series of reports by the 898 Panel, except for a supplemental report issued by December 2022.

A challenge for the U.S AbilityOne Commission will be implementing the outstanding 898 Panel recommendations to improve oversight, accountability, transparency, and integrity in contracting with the AbilityOne Program. The majority of the recommendations require action by the U.S. AbilityOne Commission to establish or update policy, business practices, and regulations. Partnering with the Commission, multiple agencies represented in the 898 Panel have a part in the success of completing these recommendations. However, the AbilityOne Commission’s implementation of necessary measures remains vital to ensure the effective completion of the desired improvements, identified by the work of the 898 Panel.

### Progress in Addressing the Challenge

The 898 Panel was responsible for recommendations in seven areas of Congressional interest. The primary mission of the Panel was to identify vulnerabilities and opportunities in the Department of Defense contracting with the AbilityOne Program and recommend improvements through a Report to Congress. The Commission’s implementation of the recommendations to establish or update policy, business practices, and regulations, or to recommend Congressional amendment of the Javits-Wagner-O’Day (JWOD) Act will have a positive impact on the transparency of the AbilityOne Program. The Commission also worked with an Interagency Task Force in addressing the 898 Panel recommendations. The final 898 Report stated that a supplemental report would be sent to Congress on proposed amendments to JWOD and the Commission led that interagency effort from May 2022 to August 2022.

We have included a table of 898 Panel recommendations in Appendix B, which also contains the table the Commission prepared for inclusion in the 898 supplemental report to Congress. The Commission is continuing to work to implement and integrate the recommendations to increase the accountability, oversight, and integrity of its Program. Execution of these recommendations will positively impact the employment opportunities for individuals who are blind or have other significant disabilities.

The 898 Panel provided increased opportunities for outreach between the Commission, the AbilityOne program, and DoD, including through program visits, meetings with DoD customers, and designing a communication initiative for the 898 Panel recommendations for the CNAs and the NPAs. This included town halls and webcasts hosted or sponsored by the Commission, and commitment and collaboration of the Panel members and subcommittees to engage CNAs’ perspectives and input to improve the AbilityOne Program.

During 2022, the Commission worked extensively to facilitate the completion of the open recommendations of the 898 Panel. Several of the Panel’s open recommendations were included in a mini-report attached to its fourth and final report to Congress. These recommendations required action by the Commission to establish or update policies, business practices, and regulations that will modernize the AbilityOne Program, and fulfill its mission. The Panel noted in its final report that the Commission requires a higher level of funding in the future to fully implement and sustain these changes to the

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<sup>17</sup> <https://abilityone.oversight.gov/articles/news/898-panel-issues-fourth-and-final-annual-report-congress>

AbilityOne Program. The funding would allow the Commission to further strengthen oversight, accountability, and integrity with respect to the program's DoD contracts.

In the meantime, this OIG report highlights several accomplishments and notes remaining areas for improvement. One of the 898 Panel subcommittees, the AbilityOne IG subcommittee, made recommendations that additional training be conducted, and that training content be regularly updated by the U.S. AbilityOne Commission in coordination with the Defense Acquisition University (DAU). The Commission has successfully implemented this recommendation thanks to the creation of the content for the Defense Acquisition University (DAU) acquisition training program, and, per the recommendation, the Commission is also working to continuously update the AbilityOne training material to ensure the training materials are current.

As a result of its initial work, the 898 Panel first developed 41 recommendations. Some of the recommendations were implemented through policy issuances from the Department of Defense and the AbilityOne Commission. When the Panel issued its fourth and final report,<sup>18</sup> half of its consolidated 24 recommendations were tracked as complete, and the remaining 12 were in various stages of implementation. While the Defense Acquisition University (DAU) and the Office of Defense Pricing and Contracting (DPC) were also directed to complete certain actions via mini-reports in the Panel's final report, each of the 12 open or partially completed recommendations required some Commission support or input. Three of the closed recommendations required ongoing support from the Commission.<sup>19</sup>

In FY 2023, the Commission made progress on at least nine of the 12 remaining recommendations that were in process:

On October 19, 2022, the Commission's revised regulation for NPA qualification became final, including a requirement to pay at least minimum wage on all AbilityOne contracts. An inclusive workplace and career advancement are addressed in the Commission's draft compliance policy updates. (Implements 1 recommendation).

Since January 31, 2023, the Commission has been strengthening its Compliance approach with public input. The first two updated compliance policies will be final by December 1, 2023. Another five policies will be issued for comment during the second quarter of FY 2024. (Implements 2 recommendations).

On March 13, 2023, the Commission published a Notice of Proposed Rulemaking, "Supporting Competition in the AbilityOne Program," that will authorize the use of price competition in the Program at certain thresholds. This action demonstrates progress towards implementing 898 Panel Recommendations 10 and 11. The rule includes language regarding the deauthorization of NPAs as necessary, which was another Panel recommendation. (Implements 3 recommendations total).

On April 13, 2023, the Commission transmitted three legislative proposals to amend the JWOD Act to Congress, including the submission of legislative proposals to address modernization initiatives aligned to Appendix B of the 898 Panel's report to Congress, and including the Panel's recommendation to

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<sup>18</sup> See Appendix B.

<sup>19</sup> See Appendix B.

increase efficiency by updating the Commission’s method for notifying the public of proposed Procurement List actions -- using [www.SAM.gov](http://www.SAM.gov) instead of the Federal Register. (Further implements 1 recommendation).

On September 4, 2023, the Commission awarded a contract to update the Procurement List Information Management System (PLIMS), which will improve the search functions to enable a more user-friendly interface and be usable to outside agencies. (Implements 898 Panel recommendation No. 15)<sup>20</sup>. On October 23, 2023, the Commission announced that as part of modernization initiatives aligned with its strategic plan, it is conducting the analysis phase of its contract to develop the next generation of the Commission’s Procurement List Information Management System (PLIMS).<sup>21</sup>

The Commission stated that, by the end of the first quarter of FY24, it will initiate the notice-and-comment process to establish an updated NPA data collection form that will replace one part of the IEE form. (Partially implements 1 recommendation). The Commission stated that, during the second quarter of FY24, it will initiate the notice-and-comment process to establish a second data collection form that will replace the second part of the IEE form. (Fully implements 1 recommendation.)

The actions taken to date regarding the 898 Panel recommendations are improving the oversight, accountability, and transparency in contracting with the AbilityOne Program network, strengthening employment opportunities, and should result in improved customer experience for the DoD with the AbilityOne Program.

## Implementation of the Strategic Plan

### **c) Use of an Enterprise Risk Management (ERM) framework to evaluate, prioritize, and track corrective action plans**

The new Strategic Plan states that the Commission will aggressively deploy its Enterprise Risk Management (“ERM”) framework, initiated in 2020, to evaluate, prioritize, and track corrective actions.<sup>22</sup>

#### Why This is a Challenge

In July 2016, the Office of Management and Budget (OMB) issued an update to Circular A-123 requiring federal agencies to implement Enterprise Risk Management (ERM) procedures so executives can ensure the achievement of the agency’s strategic objectives.<sup>23</sup> OMB Circular A-123 provides guidance to Federal

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<sup>20</sup> 898 Panel recommendation No. 15: 15 - Update the PLIMS to reflect detailed information, improve the search functions to enable a more user-friendly interface, and be usable to outside agencies.

<sup>21</sup> U.S. AbilityOne Commission Conducts Analysis Phase of Contract to Upgrade Procurement List Information Management System. Oct. 23, 2023, [U.S. AbilityOne Commission Conducts Analysis Phase of Contract to Upgrade PLIMS](#)

<sup>22</sup> U.S. AbilityOne Commission’s Strategic Plan for FY 2022–2026. June 30, 2022.

<sup>23</sup> OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, [https://www.whitehouse.gov/wp-content/uploads/legacy\\_drupal\\_files/omb/memoranda/2016/m-16-17.pdf](https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-17.pdf)

Managers on improving the accountability and effectiveness of Federal programs and operations by identifying and managing risks, establishing requirements to assess, correct, and report on the effectiveness of internal controls.

The Commission faced a significant challenge due to the absence of a formal enterprise-wide program for organizational risk. This hindered the Commission's ability to effectively prioritize and manage risks, a critical aspect of achieving strategic objectives. Since 2017, when it issued its first report on the top management and performance challenges facing the Commission, and in the subsequent annual reports, the Office of Inspector General (OIG) has highlighted this as a top management challenge.

Circular A-123 mandated federal agencies, including the Commission, to implement ERM procedures for effective risk management.

In July 2020, OIG issued a management alert emphasizing the lack of progress in implementing an ERM framework, leaving the Commission susceptible to fraud, mismanagement of resources, and compromising efficient administration of the AbilityOne program. While the Commission did take initial steps in this regard, further development of the ERM framework was necessary to respond effectively to both anticipated and unforeseen events. The need for an ERM system was underscored as the Commission sought to increase resources, aligning with the objectives outlined in their Congressional Budget Justification.

### Progress In Addressing the Challenge

Chairperson Koses and the Commission members demonstrated significant progress in addressing the ERM challenge. A commissioner-led subcommittee on enterprise risk management and auditing was established, and the appointment of a Chief Financial Officer in 2021 marked a pivotal moment. The CFO implemented stronger controls and initiated the building of the ERM framework. Throughout 2023, the CFO contributed to the development and execution of the ERM Planning.

In recent communications with the OIG, the Commission stated that its ERM program was being fully implemented and that it used the ERM framework to identify risks and has established and tracked corrective action milestones. Specifically, the Commission stated that in FY 2023, they conducted Quarterly ERM Meetings and Subcommittee meetings to facilitate the identification and review of risks, as well as discussions on the progress in meeting risk mitigation plans. The Commission further stated that it cross-walked the ERM Risk Register to the Strategic Plan Performance Measures, enhancing reporting in the annual Performance Accountability Report. Notably, according to the Commission, four out of 32 Risk Mitigation Plans were successfully closed, addressing critical areas such as internal controls, ethics programs, enterprise risk management program establishment, and response to the COVID-19 pandemic. In its Strategic Plan and Performance Measure 1, the Commission indicated its commitment to using the ERM system to identify risks and establishing/tracking corrective action milestones.<sup>24</sup>

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<sup>24</sup> Strategic Plan, Performance Measure 1: The Commission has used the ERM system to identify risks and has established

These steps indicate an enhancement in the Commission's ability to mitigate and avoid risks. On November 1, 2023, the OIG announced the initiation of an audit of the AbilityOne Commission's ERM process. The OIG audit's overall objective is to determine if the Commission's ERM process is effective and used to make risk-based decisions.

## Top Management and Performance Challenge 2

### 2) Breakdowns in internal control over financial management and reporting

#### Why This Is a Challenge

Effective financial management is crucial for federal agencies to fulfill their missions efficiently. The Commission has made great strides in confronting substantial challenges in internal control over its financial management operations, but some challenges in financial management and reporting persist. For the FY 2023 Financial Statement Audit, the OIG contracted with independent public accounting firm Harper, Rains, Knight & Company (HRK). HRK conducts the audit, and the OIG provides oversight as required by the IG Act of 1978, as amended.

The FY2023 FSA audit report is in draft as of the date of this report. In it, the auditors reissued four findings and 11 corresponding recommendations (only three of these recommendations will be included in the formal audit report due to the level at which the finding will be reported).

Despite the absence of material weaknesses in the Commission's FY 2023 Financial Statement Audit, financial management remains challenging due to control environment issues.

In prior fiscal years, the Financial Statement audit performed by the IPA firm Allmond & Company, LLC (Allmond) identified potential violations of the Antideficiency Act (ADA) in 17 instances,<sup>25</sup> covering fiscal years 2019 and 2020.<sup>26</sup> These violations include impermissible charges to incorrect Treasury Account Symbols (TAS) and erroneous adjustments to obligations, highlighting the need for robust controls. As stated in the FY 2022 reporting by OIG, to date, these verified violations have not been formally reported to the President and Congress in accordance with 31 USC §1517(b). The Commission has informed OIG that the proposed required communications have been sent to OMB and that they are awaiting OMB action.

#### Progress In Addressing the Challenge

Despite the challenges, the Commission has made noteworthy progress in addressing internal control breakdowns. The Commission continued the activities of its Commission-member-led subcommittee on enterprise risk management, signaling a commitment to enhancing overall risk management practices.

The Office of the CFO has actively worked to address Antideficiency Act (ADA) violations and has implemented additional controls over funds management, obligations, and payments to prevent future ADA violations. In March 2021, the Commission submitted a draft ADA violations' report to the Office of Management and Budget (OMB). In August 2021, OMB requested an update and revision to the draft

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<sup>25</sup> <https://www.oversight.gov/sites/default/files/oig-reports/CPFBSD/FSA-2021-Financial-Statement-Audit-Transmittal-Letter-and-ReportFINAL.pdf>

<sup>26</sup> There were no potential ADA violations found in FY 2021.



report, which is currently still under review by the OMB Examiner. The Commission is awaiting, pending the OMB Examiner's review.

Affirmatively tackling the challenges identified in the FY 2021 financial statement audit, the Commission obtained clean FY 2022 and FY 2023 Financial Statement Audit opinions. Notably, seven prior-year open audit recommendations were closed during the FY 2022 Financial Statement Audit, reflecting a proactive approach to rectifying previously identified issues.

In addition, during the FY 2023 financial statement audit, auditors closed six findings and 31 recommendations from the previous year's audit and downgraded two findings from either noncompliance with law and regulation or material weakness to issues included in a management letter of comment (i.e., an issue not rising to the level of needing to be included in the formal audit report).

One issue previously categorized as a material weakness was downgraded to a significant deficiency, reflecting an improvement in the Commission's internal control. These efforts collectively demonstrate the Commission's dedication to enhancing its internal control over financial management and reporting, setting the stage for continued improvement in subsequent audits.

The OIG conducted an audit of the Commission's compliance with the provisions of the Digital Accountability and Transparency Act of 2014 (DATA Act).<sup>27</sup> Our audit found that the Commission did not generally comply with the DATA Act for 2021.<sup>28</sup> The Commission's subsequent implementation of all six DATA Act audit open recommendations and the closure of three out of six open recommendations from the audit underscore the Commission's commitment to addressing and rectifying shortcomings in its internal controls.

## Conclusion

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) reports on the most significant management and performance challenges facing the U.S. AbilityOne Commission (Commission) in FY24, for inclusion in the Commission's Performance and Accountability Report (PAR) for fiscal year (FY) 2023.

The OIG identified the top management and performance challenges (TMPC) facing the Commission in FY 2024 as:

1) Implementation of the Strategic Plan: a) Implementation of new Cooperative Agreements with CNAs to Modernize and Enhance Program Compliance; b) Successful Implementation of the Section 898 Panel Recommendations; c) Use of an Enterprise-wide Risk Management (ERM) Framework.

2) Breakdowns in Internal Control over Financial Management and Reporting

Appendix A – Watch Item 1: List of Unimplemented OIG Audit Recommendations

Watch Item 2: Program Growth and Resulting Risk

Appendix B – 898 Panel Recommendations for Commission action.

OIG provided a draft of this report to Commission management, whose comments on the Commission's progress in each challenge area have been considered and/or incorporated into this final version.

We thank you for your support of our role, and we look forward to working with the Commission and the AbilityOne stakeholders, as the OIG continues its oversight mission.

## Appendix A: Watch Items

### Watch Item 1: List of Unimplemented OIG Audit Recommendations

The OIG decided to remove The Growing List of Unimplemented OIG Audit Recommendations from the Challenge list, as a result of the significant progress the Commission has made in addressing the recommendations. The progress includes the commitment that the Commission has shown in the past year to closing longstanding audit recommendations.

For example, the Commission requested *ad hoc* meetings with OIG specifically for discussing all the open recommendations, their status, and the corrective actions taken. This proactive engagement underscores the Commission's new, systematic approach to address OIG audit recommendations.

In FY23 alone, the Commission closed 18 recommendations, and as of September 30, 2023, 80 recommendations remained open. Subsequently, in November 2023, during the final stages of the FY 23 financial statement audit, an additional 31 recommendations were closed, and three new recommendations were issued, along with two recommendations issued as part of the FISMA audit. This concerted effort by the Commission to mitigate risks and improve their internal control over financial management operations brought the number of open audit recommendations down to 54 as of the date of this report.

While OIG is removing this as a challenge, it is essential that the Commission continue devoting attention to addressing any remaining OIG audit recommendations, existing, and going forward. OIG will continue its role of assessing supporting evidence to ensure the sufficiency of actions taken by the Commission for OIG recommendation closure.

### Watch Item 2: AbilityOne Program Growth and Resulting Risk

Pursuant to efforts performed by the AbilityOne Commission led by Chairperson Jeffrey Koses, a memorandum dated October 30, 2020, OMB's Office of Federal Procurement Policy ("OFPP"),<sup>29</sup> directed agencies across the federal government<sup>30</sup> to designate an AbilityOne representative ("ABOR") whose job it is to promote federal procurement in compliance with AbilityOne contract sourcing requirements. The OFPP memo also encourages each agency to pledge to increase its percentage of spend on AbilityOne products and services above its FY 2020 baseline and, to the extent feasible, make a minimum pledge equal to at least 1% of the total amount of funds obligated for contracts entered into with the agency during the fiscal year, with a further goal of increasing spend to 1.5% in FY 2022. As of November 5, 2021, 19 CFO Act agencies have named ABORs, and 12 agencies have made pledges to increase their AbilityOne utilization.<sup>31</sup> The Commission anticipates that the ABOR Program will increase AbilityOne contracts, and

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<sup>29</sup> OMB Memorandum entitled "Increasing the Participation of Americans with Disabilities in Federal Contracting," dated October 30, 2020.

<sup>30</sup> The memorandum applies to the 24 agencies named in the Chief Financial Officers Act, Pub. L. No. 101-576 (November 15, 1990).

<sup>31</sup> U.S. AbilityOne Commission's Comments to OIG's TMPC, "Points for Consideration Top Management Challenges," dated November 5, 2021.

with growth comes increased risk. Accordingly, OIG keeps the AbilityOne Program's growth on a watch list as a potential, reportable challenge for the Commission in this 2023 report.

OIG also understands that a priority of the Commission is first to see evidence that the NPAs are implementing what is needed to offer good jobs, as defined in the strategic plan. This is consistent with the language that the plan's outcome goals, strategies and performance measures all clearly communicate the Commission's direction and resource prioritization.

## Appendix B: 898 Open Recommendations<sup>32</sup>

### List of 898 Panel’s Open or Ongoing Recommendations for Commission Action, as of November 15, 2023

#	Recommendation for Commission Action	Complete	Status
<b>Subcommittee One: Inspector General</b>			
N/A	U.S. AbilityOne Training must be continually updated, as Panel recommendations are implemented.	<input checked="" type="checkbox"/>	Ongoing; periodic updates are made as needed.
<b>Subcommittee Two: Eliminate Waste, Fraud, and Abuse</b>			
1	Increase oversight and strengthen audit coverage.	Partially; ongoing efforts continue	Commission conducted 200+ compliance reviews in FY22–FY23. All compliance policies are being updated to strengthen the guidance.
2	Impose stricter requirements on NPAs for documentation of significant disability and eligibility determinations.	Partially; ongoing efforts continue	All compliance policies are being updated to strengthen the guidance. The new policies emphasize third-party disability certifications as Panel advised.

<sup>32</sup> The original chart can be found in the original Fourth and Final 898 Report, figure 4, pages 19-21. Panel on Department of Defense and AbilityOne Contracting Oversight, Accountability, and Integrity Fourth and Final Annual Report to Congress For the period November 1, 2020 through October 31, 2021  
<https://www.acq.osd.mil/asda/dpc/cp/policy/docs/a1/USA002292-21-Report-w-Appendix.pdf>  
[USA002292-21-Report-w-Appendix.pdf \(osd.mil\)](https://www.acq.osd.mil/asda/dpc/cp/policy/docs/a1/USA002292-21-Report-w-Appendix.pdf)  
[ASD\(A\) - DPC - Contract Policy \(osd.mil\)](https://www.acq.osd.mil/asda/dpc/cp/policy/docs/a1/USA002292-21-Report-w-Appendix.pdf)

#	Recommendation for Commission Action	Complete	Status
<b>Subcommittee Three: Employment Initiatives (merged into Eight – see below)</b>			
<b>Subcommittee Four: Laws and Regulations</b>			
3	Recommend an amendment to the JWOD Act’s 75 percent Direct Labor Hour ratio requirement, 41 U.S.C. §§ 8501(6)(C), (7)(C), to promote employment and upward mobility of individuals with disabilities in integrated work environments, and provide for implementation requirements and guidelines.	Completed for action by the Commission; may be acted upon by Congress	The Commission convened an interagency working group, received clearance, and submitted a legislative proposal to provide pilot test authority for various direct labor ratios in FY 2023.
4	Amend the JWOD Act’s definition of “direct labor,” 41 U.S.C. §§ 8501(3), to encourage upward mobility and hiring of people with disabilities in supervisory and other indirect labor positions.	Completed for action by the Commission; may be acted upon by Congress	The Commission convened an interagency working group. No consensus was reached on new definitions. The group’s discussions may inform future legislative efforts.
5	Amend the JWOD Act’s definition of “severely disabled,” 41 U.S.C. §§ 8501(5) and (8), to eliminate the presumption that eligible individuals are not competitively employable and to clarify and institute a workable definition.	Completed for action by the Commission; may be acted upon by Congress	The Commission convened an interagency working group. No consensus was reached on new definitions. The group’s discussions may inform future legislative efforts.

#	Recommendation for Commission Action	Complete	Status
<b>Subcommittee Five: Veterans Eligibility (merged into Subcommittee Eight; see below)</b>			
<b>Subcommittee Six: Acquisition and Procurement</b>			
6	Establish business rules for competition and assignment of work among AbilityOne Program NPAs.	In process; NPRM published on March 13, 2023.	Public comments reviewed and listening sessions held in FY 2023. Next, the final rule will be submitted for interagency clearance and final publication.
7	Establish penalties if a CNA or NPA does not follow policies and procedures.	In process; NPRM published on March 13, 2023	Public comments reviewed and listening sessions held in FY 2023. Next, the final rule will be submitted for interagency clearance and final publication.
8	Revise 41 Code of Federal Regulation (CFR) 51 to include information regarding the deauthorization of NPAs as the authorized source on the PL.	In process; NPRM published on March 13, 2023	Public comments reviewed and listening sessions held in FY 2023. Next, the final rule will be submitted for interagency clearance and final publication.

<b>Subcommittee Seven: Business Process Re-engineering</b>			
N/A	Update the Procurement List Information Management System (PLIMS) to reflect detailed information, improve the search functions to enable a more user-friendly interface, and be usable to outside agencies.	<input checked="" type="checkbox"/>	Ongoing – Contract awarded for PLIMS modernization in FY 2023.
9	Deploy an Information Technology (IT) solution either utilizing a system where the PL can be linked to existing contracting vehicles or develop a common system that routes purchases through the PL prior to other avenues.	In process	Ongoing – Contract awarded for PLIMS modernization in FY 2023.
N/A	Implement DoD wide policy to designate an AbilityOne Representative (ABOR) program similar to the Air Force model and includes a goal for growth in AbilityOne Program participation.	<input checked="" type="checkbox"/>	All major DoD components have ABORs and active ABOR programs.
10	Pursue Defense Federal Acquisition Regulation Supplement (DFARS) (Procedures, Guidance, and Information [PGI] language) to detail how to do business with the AbilityOne Program.	In process	Commission staff policy working group will harmonize proposed DFARS information with updated Commission policies and guidance
<b>Subcommittee Eight: Employment Initiatives and Veterans Eligibility</b>			
11	Change the Commission’s regulation for initial NPA qualification to include (a) employment criteria of at least minimum wage comparable to coworkers, (b) a work setting that is inclusive of people with and without disabilities, and (c) opportunities for advancement.	<input checked="" type="checkbox"/>	Section (a) implemented by a new regulation; section (b) adopted to the extent legally possible in in the Strategic Plan; section (c) fully adopted in the Strategic Plan.



12	Modify the Individual Eligibility Evaluation process to enhance the eligibility analysis and certification of results.	In process	A new eligibility form has been designed, aligned with policy updates. The public notice and 60-day comment period for this Information Collection Request will be posted on Nov. 17, 2023.
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