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

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Washington, DC 20024-3243

January 26, 2023

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. AbilityOne Compliance Program

We are pleased to provide the performance audit report on the U.S. AbilityOne Compliance Program, conducted by CliftonLarsonAllen LLP (CLA), an independent public accounting firm. The U.S. AbilityOne Commission Office of Inspector General (OIG) engaged CliftonLarsonAllen LLP (CLA) to conduct the performance audit and issue its report. The objective of the audit was to determine whether the Compliance Program, as implemented by the Commission and CNAs, is effectively providing reasonable assurance of NPA and CNA compliance with applicable laws, regulations, and policies.

To answer the audit objective, the team interviewed key officials from the Commission and the CNAs and collected and reviewed key documents containing suitable criteria and analyzed data relevant to our audit objectives. The team also performed the following procedures: 1) assessed the extent to which the Commission's policies and procedures comply with applicable laws and regulations; 2) reviewed the internal controls the Commission had in place for managing and overseeing the Compliance Program; and 3) obtained and analyzed compliance data and reports used by the Commission to monitor and evaluate the effectiveness of the Compliance Program for FY 2019, 2020, and 2021.

Overall, the Commission's policies and procedures governing the management and administration of the Compliance Program comply with applicable laws and regulations.

Further, the Commission has taken steps to improve the transparency of its policies and procedures by updating five existing policies, issuing three new policies, and developing compliance FAQs in FY 2020. However, the audit team identified opportunities for the Commission to improve the effectiveness of its policies, procedures, and practices when managing the Compliance Program in four areas: (1) updating guidance; (2) improving documentation of procedures and maintenance of records; (3) better management of data needs in PLIMS; and (4) additional oversight in two key compliance areas: compliance visits and the 75% overall direct labor hour requirement. The audit team made 11 recommendations to improve the Compliance program's management, administration, and internal controls.

In its Management Response, dated December 12, 2022, the Commission concurred (or concurred with modifications) with all recommendations except Recommendation #11—that the Commission "[d]evelop written standard operating procedures for the specific procedures it requires Commission OCD staff to perform when conducting an NPA compliance visits . . . ." Based on the Commission's Management Response and discussions during the Exit Conference on January 5, OIG is aware that the Commission is planning to reallocate roles and responsibilities, such that CNAs will assume frontline responsibilities for compliance visits. Although OIG has decided to leave the recommendation as written, we understand that near-term Commission initiatives may render the recommended course of action obsolete. OIG will consider alternate Commission approaches and assess completed alternate actions for sufficiency and effectiveness, for purposes of closing out the recommendation.

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

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Results in Brief

Performance Audit Report of the Compliance Program

Office of Inspector General Report No. 2021-02. Report Date: December 20, 2022

Why We Performed This Audit

We engaged CliftonLarsonAllen LLP (CLA) to conduct a performance audit of the U.S. Ability One Commission's (Commission) Compliance Program. Our audit objective was to determine whether the Compliance Program, as implemented by the Commission and Central Nonprofit Agencies (CNAs), is effectively providing reasonable assurance of nonprofit agency (NPA) and CNA compliance with applicable laws, regulations, and policies.

What We Audited

The audit scope included assessing the effectiveness of the policies, procedures, and practices employed by the Commission when managing the Compliance Program. The audit also assessed how the Procurement List Information Management System (PLIMS) supports the Compliance Program. The auditors reviewed all relevant PLIMS compliance transaction data and reports during FY 2019, 2020, and 2021. The auditors also reviewed compliance reports submitted by the CNAs to the Commission outside of PLIMS for FY 2019, 2020, and 2021.

What We Recommend

The auditors made 11 recommendations to improve the Commission's controls over the Compliance Program. In commenting on a draft of this report, the Executive Director and Chair, Policy and Regulations Subcommittee, of the Commission concurred with 4 recommendations, concurred with modifications for 7 recommendations and stated that it would implement actions to address them.

What We Found

Overall, the auditors concluded that the Commission's policies and procedures governing the management and administration of the Compliance Program comply with applicable laws and regulations. Further, the Commission has taken steps to improve the transparency of its policies and procedures by updating five existing policies, issuing three new policies, and developing compliance Frequently Asked Questions (FAQs) in FY 2020.

The auditors identified opportunities for the Commission to improve the effectiveness of its policies, procedures, and practices when managing the Compliance Program in four areas: (1) updating guidance; (2) documentation of procedures and maintenance of records; (3) better management of data needs in PLIMS; and (4) additional oversight in two key compliance areas, compliance visits and the 75% overall direct labor hour requirement.

Commission policies are not fully transparent because some are dated, incomplete, unclear, or insufficient. While the compliance FAQs contain some implementation guidance, they are not comprehensive or organized by compliance area to sufficiently bridge the gap between policy and practice and, therefore, a new compliance manual would be beneficial in this respect.

There are also several opportunities for the Commission to improve documentation of procedures and maintenance of records to strengthen controls and reduce errors and inconsistencies. This includes procedures the Commission requires staff to perform when reviewing compliance transactions and reports CNAs submit to PLIMS or manually to the Commission. The Commission also needs to develop specific instructions and requirements to the CNAs for submitting compliance transaction packages to PLIMS.

Further, PLIMS has not kept pace with the changing needs of the Commission staff to provide relevant data and reports needed to inform their decision-making. The Commission has not reviewed or identified whether updates are needed to PLIMS data fields or standard reports, or established timelines for implementation.

Lastly, Commission procedures and oversight in two key compliance areas are not sufficient. Using a risk-based approach, the Commission should review detailed information needed to independently verify the NPAs' compliance. The Commission should standardize the procedures and methodologies used to conduct compliance visits to improve the comparability of data reported in PLIMS. The Commission should also develop written procedures for the specific procedures Commission staff must perform when conducting an NPA compliance visit including documentation requirements and additional considerations for joint visits with the CNAs.

View the full report: OIG 2021-02. For more information, visit us at https://abilityone.oversight.gov

Performance Audit Report on the Compliance Program

For
U.S. AbilityOne Commission
Office of Inspector General

by
CLA (CliftonLarsonAllen LLP)

December 20, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

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Transmittal Memo

Stefania Pozzi Porter
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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 Compliance Program. The purpose of our performance audit was to determine whether the Compliance Program, as implemented by the Commission and Central Nonprofit Agencies (CNAs), is effectively providing reasonable assurance of nonprofit agency (NPA) and CNA compliance with applicable laws, regulations, and policies.

We obtained the information included in the report from the Commission and CNAs on or before August 8, 2022. We have no obligation to update our report or to revise the information contained herein to reflect events and transactions occurring subsequent to August 8, 2022.

The details of our findings and conclusions are included in the accompanying report. We provided a draft of this report to the Commission on October 5, 2022. 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 and therefore, we may not have identified all the internal control deficiencies with respect to the Compliance Program 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 20, 2022

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. CNAs recommend which NPA(s) to assign to a particular project, which if determined to be feasible becomes a proposed PL addition. As discussed further below, under the Commission's Compliance Program, the CNAs evaluate and recommend NPA initial qualification to the Commission and are also required to monitor and assist NPAs in maintaining qualification,[3] including conducting regulatory reviews and assistance visits and providing the Commission with pertinent data concerning their status as qualified NPAs. The CNAs include:

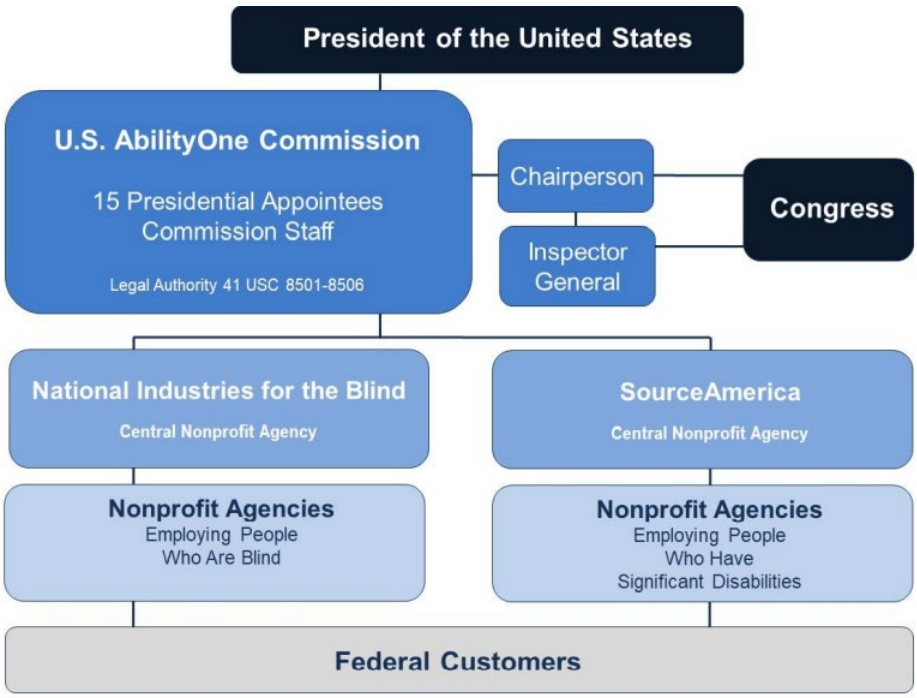
- **National Industries for the Blind (NIB)**, whose mission is to enhance the personal and economic independence of people who are blind, primarily through creating, sustaining, and improving employment. As of September 30, 2021, NIB has about 170 employees and annual revenue of about $38 million. Most 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.

[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.

- **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 NPAs and experts. As of September 30, 2021, SA has 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

Under the Compliance Program, the Commission's Oversight and Compliance Directorate (OCD) is responsible for determining whether new NPAs meet the initial qualification requirements for participation in the Program and thereafter monitoring and inspecting qualified NPAs' compliance with statutes, regulations, and policies and taking necessary actions to address instances of noncompliance. As discussed further below, the Commission has delegated certain responsibilities to the CNAs.

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. The PLIMS database contains the NPA compliance 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. PLIMS automatically generates a sequential transaction identification number when CNAs submit a package.

Initial NPA Qualification

The JWOD Act and its implementing federal regulations define a qualified NPA[4] for the blind or for the severely disabled[5] (referred to as "significantly disabled" in this report) as an agency that is:

- Organized under the laws of the U.S. or a state that: (1) operates in the interest of blind individuals or significantly disabled individuals who are not blind; and (2) of which no part of the net income of the agency benefits a shareholder or other individual.
- Complies with applicable health and safety standards prescribed by the Secretary of Labor.
- Employs blind or other severely disabled individuals for at least 75%[6] of the direct labor hours required to produce or provide products or services. Note that this requirement is at the overall agency level and not just for AbilityOne Program products and services.

These same statutes/regulations also provide a definition of a blind and significantly disabled person.

Blind

- An individual whose central visual acuity does not exceed 20/200 in the better eye with corrective lenses; or
- If the visual acuity is more than 20/200, it is accompanied by a limit to the field of vision in the better eye to such a degree that the widest diameter subtends an angle of no greater than 20 degrees.

Significantly Disabled

- A person, other than a blind person, who has a severe physical or mental impairment due to a residual, limiting condition resulting from injury, disease, or congenital defect, which limits the person's functional capabilities such that the individual is unable to engage in normal competitive employment over an extended period.
- Functional capabilities include mobility, communication, self-care, self-direction, work tolerance or work skills.
- The person's capability for normal competitive employment is determined by an annual evaluation.

Further, the statutes/regulations define activities considered to be direct labor and those that are not (i.e., considered indirect labor). Commission Policy 51.401, *Direct Labor Hour Ratio Requirements*, and the Commission Frequently Asked Questions (FAQs) provide additional details and clarification. The basic definitions are as follows:

Direct

- For **products**, refers to all work required for preparation, processing, and packing.
- For **services**, includes all work directly related to performance of tasks required by or specified in the contract.

[4] 41 U.S.C. §§8501 and 41 CFR 51-1.3.

[5] Per 41 CFR 51-1.3, severely disabled and significantly disabled are used interchangeably.

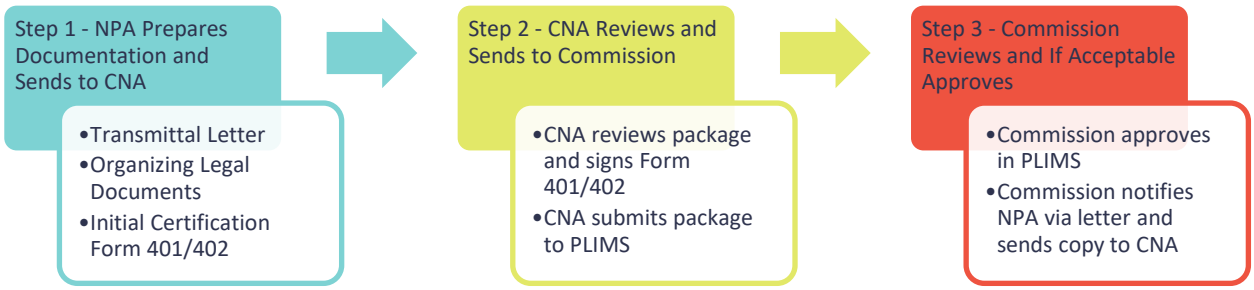
[6] Per Commission Policy 51.401, *Direct Labor Ratio Requirements*, the Commission uses standard rules for rounding numbers to determine compliance and therefore, a direct labor hour ratio at or above 74.51% meets the 75% requirement.

Indirect

- Includes support activities such as supervision, administration, inspection, or shipping.

Figure 2 below presents an overview of the approval process for a new NPA.

Figure 2: New NPA Approval Process



Source: CLA review of Commission Policy 51.402, *Initial Qualification of NPAs*, review of Form 401/402, and discussion with Commission OCD personnel

In **step 1**, the organizing legal documents evidencing the NPA's tax exempt status typically include properly executed articles of incorporation and by-laws. The Commission's Initial Certification Form 401/402[7] requires the NPA to provide data on agency direct labor hours to demonstrate it is meeting the 75% direct labor requirement as well as other assertions (e.g., there are employee files with evidence supporting all employees classified as blind/severely disabled, compliance with applicable Occupational Safety and Health Act (OSHA) standards, etc.). The Form 401/402 must be signed by an NPA executive and officer of the board.

In **step 2**, the CNA reviews the NPA's documentation package and if deemed to meet the Commission's requirements, signs the Form 401/402. The CNA then submits a package with all documents to the Commission for review using PLIMS transaction code NNR (New NPA Request).

In **step 3**, the Commission OCD staff and Director as well as General Counsel review the package, and if all requirements are met, approve in PLIMS. 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. If the NPA is approved as the mandatory supply source for the PL addition, the Commission updates the NPA's status to "producing."

Maintaining NPA Qualification

After the Commission grants an NPA initial qualification, the NPA must comply with the JWOD Act and implementing federal regulations to maintain qualification and participate in the AbilityOne Program. The Commission primarily uses compliance visits to NPAs, periodic reporting of key data from the CNAs, and review of NPA Annual Representations and Certifications to monitor NPA compliance.

[7] Form 401 is used for NPAs affiliated with NIB and Form 402 is used for NPAs affiliated with SA.

Per the Commission's Cooperative Agreements[8] 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 required reporting to the Commission's OCD. Key areas covered are as follows:

- **Regulatory Review and Assistance Visits (RRAVs)**[9]: CNAs are required to conduct RRAVs with NPAs each year. Topics covered include items such as NPA document request list, RRAV Checklist[10] that documents results of the review by compliance category, sampling methodologies and Acceptance Quality Limits (AQL) (i.e., if number of errors exceed the AQL, category is assessed as non-compliant) if applicable, summary of findings including deficiencies requiring corrective action, tracking and close-out of corrective actions, and reporting to PLIMS.

- **NPA Quarterly Employment/Data Report[11]:** Each NPA self-reports data aligned with the AR&C (e.g., direct labor hours, wages, sales, headcounts, etc.) on a quarterly basis to the CNA's proprietary system. However, additional data points are also collected. Each CNA's system calculates cumulative-to-date totals.

- **NPA Annual Representations and Certifications (AR&C):** The CNAs generate each NPA's AR&C form for the fiscal year (FY) ending September 30 using the quarterly data collected. Each NPA must review and validate this data, answer a series of Yes/No questions, and sign the AR&C form. The AR&C is required under 41 CFR 51-3.2 for all AbilityOne producing NPAs.

The Cooperative Agreements also define the related CNA reporting requirements for each of the above areas as well as the following activities required under the Compliance Program:

- **Phase-ins:** If an NPA is unable to perform a proposed or transferred PL project at the direct labor ratio proposed for the project, the NPA must request approval from the Commission for a phase-in (i.e., NPA begins project at a lower ratio and increases to proposed ratio over time). CNAs are required to monitor the status of all phase-ins.

- **Training:** CNAs must develop and provide training programs to (1) **NPAs** to promote awareness and understanding of the requirements of the JWOD Act, the Commission's regulations, and AbilityOne Program policies and procedures; (2) **blind or significantly disabled employees** at qualified NPAs to develop knowledge, skill, and upward mobility potential; and (3) **CNA staff** members to provide them the necessary knowledge and skills to perform their technical duties related to the AbilityOne Program.

Figure 3 describes these report deliverables including the format and frequency.

[8] These are the written agreement between the Commission and each CNA that formally establish expectations and guidance for the Commission and CNAs for implementing and managing of the AbilityOne Program.
[9] NIB refers to these as Technical Assistance Visits (TAVs).
[10] NIB refers to these as Trip Reports.
[11] The NIB system is Quarterly Data Report (QDR), and the SA systems is Quarterly Employment Report (QER).

Figure 3: CNA Reporting Requirements

Deliverable Name	Deliverable Description	Report Format	Frequency
Regulatory Review and Assistance Visits			
FY regulatory review list	List of NPAs the CNA plans to visit in the upcoming FY.	Pdf	Annually
RRAV post-visit trip report	Submit a Compliance Visit Report (CVR) transaction package to PLIMS for each NPA RRAV visit with findings and recommendations, as required, to correct deficiencies.	Electronic to PLIMS	Within 10 business days of the review
RRAV supplemental post-visit trip report	If applicable, submit a CVR transaction package to PLIMS with summary of corrective actions taken by NPA. CNA required to obtain and review documentation from NPA.	Electronic to PLIMS	Within 10 business days of receipt of documentation from NPA
End of Year Regulatory Review Analysis	Summary of results of RRAVs completed including types and frequency of corrective actions required.	Pdf	Annually
NPA Quarterly Data			
Overall Direct Labor Hour Ratio Report	All NPAs whose cumulative overall direct labor hour (ODLH) ratio is below 75% including name, ratio, and reason for not meeting requirement.	Pdf	Quarterly
Annual Representations and Certifications			
NPA AR&Cs	Each NPA's signed AR&C.	Pdf	Annually
Data Extract of AR&Cs	Extract containing all information in each NPA's AR&C. Commission uses this to upload the data to PLIMS.	Excel	Annually

Deliverable Name	Deliverable Description	Report Format	Frequency
End of Year AR&C Analysis	Summary report of CNA's due diligence review of NPA AR&Cs. List of NPAs with year-end cumulative ODLH ratio below 75%, identifying any NPAs with Commission approved ratio exemptions and surges.	Pdf	Annually
Phase-Ins			
Phase-In Report	Status of all PL projects that have an approved phase-in period.	Pdf	Quarterly
Training			
Training Reports	Report of training conducted including type, description, number of participants, results (i.e., participant satisfaction), and future training opportunities.	Pdf	Quarterly (Highlights) and Annually

Source: CLA analysis of NIB and SA deliverables per the Cooperative Agreements between the Commission and each CNA.

Results of Audit

The Commission's Compliance Program, and its policies for governing the process complied with applicable laws and regulations, but some of the policies were dated, incomplete, or unclear. For example, seven of the fifteen policies we reviewed have not been updated in the last five years. The age of the policies creates inconsistencies in guidance that can be confusing. Also, one updated policy regarding NPAs out of compliance with Commission regulations is incomplete, and certain key provisions have not been implemented. Further, the rescinding of the Compliance Manual, updates to the Commission's policy on direct labor ratio requirements, and the delay in issuance of a new policy, has contributed to a lack of clarity for NPAs in two key compliance areas – medical documentation and independent evaluation of competitive employment. Lastly, staff procedures for reviewing compliance transactions and reports are not documented, and differences in CNA protocols for NPA visits impacts the comparability of data in PLIMS.

We found that the Commission has not provided specific instructions and requirements to the CNAs for submitting compliance transaction packages to PLIMS, which has resulted in inconsistencies in information reported and missing data that has impacted the usefulness of information available to the Commission to effectively monitor the Compliance Program. Further, PLIMS has not kept pace with the changing needs of the Commission OCD staff to provide relevant data and reports needed to inform their decision-making.

Lastly, there are also weaknesses in the Commission's procedures to monitor the Compliance Program. The Commission does not request sufficient information from the CNAs to independently verify the NPAs' compliance with statutes, regulations, and policies. Further, the lack of a consistent approach between the CNAs for conducting RRAVs and the change in approach and lack of documentation for Commission compliance visits reduces effectiveness of this key control.

FINDING 1: POLICIES AND PROCEDURES COMPLY WITH LAWS AND REGULATIONS BUT ARE NOT FULLY TRANSPARENT BECAUSE SOME ARE DATED, INCOMPLETE, UNCLEAR, OR INSUFFICIENT

The Commission's policies and procedures governing the management and administration of the Compliance Program comply with applicable laws and regulations. We reviewed the JWOD Act and AbilityOne Program regulations[12], identified provisions relevant to the Compliance Program, and summarized them by major category (i.e., approving NPA for initial qualification and maintaining NPA qualification). We then reviewed and analyzed the Commission's twelve compliance policies and procedures in the 51.400 series against these statutory and regulatory requirements. Our analysis showed that all significant provisions were addressed and in compliance. We also reviewed the Commission's Cooperative Agreements with the CNAs for sections related to the Compliance Program including roles and responsibilities and noted no inconsistencies with the Commission's policies and procedures. Further, we reviewed the Commission's three general policies in the 51.100 series to gain an understanding of the

[12] See 41 CFR 51-1.3, 51-2.2, 51-3.2, 51-4.2 and 51-4.3.

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. In FY 2020, the Commission's OCD updated five existing compliance policies, issued three new policies, and posted these documents on its website with an effective date of August 15, 2020. Two of these policies were further updated in November 2020. The Commission also developed compliance FAQs, which were posted on the Commission website in August 2020. The FAQs were further updated in August 2021 and May 2022 and according to the Commission, will continue to be updated as needed. The Commission stated that these new and updated policies and FAQs replaced the Commission's Compliance Manual. In the summer of 2020, the Commission rescinded the Compliance Manual, which had been published on the Commission's website. The Commission 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.

While these actions are consistent with *Standards for Internal Controls in the Federal Government*[13] (the Green Book) for implementing control activities through policies and procedures and for using quality information to communicate with external parties so that they can help the entity achieve its objectives and address related risks, we found that additional steps could be taken to improve the Commission's policies and procedures as discussed below.

FINDING 1A: SOME POLICIES ARE DATED, INCOMPLETE, OR UNCLEAR

As shown in Figure 4, we found that eight compliance policies have been updated or issued in the last five years. However, the remaining seven policies were older, including four compliance policies which are more than nine years old. 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) and the Commission has not regularly updated some of its policies and procedures.

Figure 4: Summary of Policy/Procedure Updates

Date of Last Update	Number of Policies and Procedures
Less than 5 years	8
7-10 years	7
Total	**15**

Source: CLA analysis of Commission policies.

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

According to Commission OCD staff, the potential impact of the Commission's new five-year strategic plan, approved on June 13, 2022, is the cause for the delay in updating compliance policies in accordance with policy 51.101. One of the objectives in the strategic plan is to expand competitive integrated employment for people who are blind or have significant disabilities. This may require amendment of various components of the JWOD Act including the 75% ODLH requirement and the definition of a person with significant disabilities. However, this does not negate the need for the Commission to have policies and procedures in place that are fully transparent based on the current provisions of the JWOD Act.

The age of the policies can create inconsistencies that can be confusing. For example, the Procedures section in Policy 51.404, *On-Site Compliance Reviews*, solely incorporates by reference the rescinded Compliance Manual dated June 29, 2007, and therefore, includes no detail procedures to implement the policy. Further, the policy states that all RRAV's should be conducted on-site. This is inconsistent with current practice whereby some RRAV's are conducted virtually. This practice began during FY 2020 and has continued due to the ongoing COVID-19 pandemic. In addition, Policy 51.401-01, *Phase-In Procedures*, does not explicitly cover all scenarios in the table that outlines required actions by the CNA, if the phase-in is not completed timely by the NPA. Because this provision is subject to interpretation, it has resulted in inconsistent implementation by the two CNAs.

Also, one updated policy is incomplete, and certain key provisions have not been implemented. Policy 51.403, *Nonprofit Agencies Out of Compliance with Commission Regulations*, was updated in November 2020, and in the Procedures section states that the Commission will initiate corrective action if an NPA fails to meet the 75% ODLH requirement in any Federal FY. It refers to Commission Procedures 51.403-01, which does not exist. In addition, while the updated policy established a new risk-based model for NPAs not in compliance with requirements of the AbilityOne Program, the Commission's OCD has no process in place to effectively implement it, including the potential consequences to NPAs. This is inconsistent with *Green Book*[14] which requires management to design control activities to achieve objectives and respond to risks.

The risk model in policy 51.403 outlines criteria to identify NPAs as High Risk or At Risk. A High-Risk Agency is defined as an NPA that is out of compliance for multiple, major reasons (as described in the policy), or has an ODLH ratio below 60%. An At-Risk Agency is defined as an NPA that is out of compliance for a single reason or has an ODLH ratio below 75%. The specified reasons for non-compliance findings include, but are not limited to, the following:

<u>High Risk</u>

- Annual Individual Employment Evaluation (IEE) forms (i.e., which documents assessment of capability for competitive employment) and/or medical documentation are missing from a significant number of files.
- Evidence that the ODLH ratio is not going to meet the 75% requirement by the end of the Federal FY.
- AbilityOne project(s) are being performed at direct labor hour (DLH) ratio(s) significantly below than those submitted by the NPA during the PL addition process or transfer of the project.
- Inadequate evidence of any ongoing placement program.

[14] See principle 10 in the Green Book.

- Repeat findings of a problem noted from previous Commission compliance inspections or CNA RRAV's.

At Risk

- Not paying correct wages and benefits to DLH employees as mandated by the Services Contract Act (SCA), Davis Bacon Act (DBA), and the Fair Labor Standards Act (FLSA).
- Inadequate evidence of certain OSHA standards such as safety program, Bloodborne Pathogen program, and inadequate completion of the OSHA 300 Form.
- Inadequate adherence to Federal Contract Requirements.

While PLIMS does track NPA compliance with the above categories of findings, the Commission's OCD has not put any processes in place to document the risk assessment. Further, certain criteria language is ambiguous (e.g., significant number of files, multiple major reasons) and therefore, difficult to implement without further procedural guidance.

Further, the rescinding of the Compliance Manual, updates to the Commission's policy on direct labor ratio requirements, and the delay in issuance of a new policy has contributed to a lack of clarity for NPAs in two key compliance areas – medical documentation and IEE forms.

- **Compliance Manual Rescinded:** The Compliance Manual was originally an internal document used by OCD staff when conducting compliance visits of NPAs but as discussed above was subsequently made available to the public. It contained more detailed guidance showing how the Commission reviewed and assessed the completeness and appropriateness of records documenting disability and competitive employment determinations. Therefore, the Commission concluded that making the Compliance Manual available to participating NPAs would help them better understand the Program's requirements and the Commission's documentation standards. NIB and SA officials told us that NPAs found the Compliance Manual to be a valuable reference and that the updated policies and FAQs do not provide the same level of detailed guidance.

- **Direct Labor Ratio Policy Changed:** One of the updates in August 2020 to Policy 51.401, *Direct Labor Ratio Requirements*, was to add new language that medical documentation and/or IEE forms found to be inadequate "must be counted as sighted or non-disabled direct labor until there is adequate documentation for that individual. The NPA must submit corrected quarterly reports to its CNA(s) as corrective action, in these circumstances." The CNAs interpreted this provision differently than the Commission, which indicates a lack of clarity.

    - Both CNAs interpreted the new language to mean that such adjustments to reduce direct labor hours would be required only if the NPA did not properly correct deficiencies in medical documentation or IEE forms identified during the RRAV within the approved corrective action period (i.e., typically 30-60 days). This was consistent with past practice.
    - The Commission OCD staff informed the CNAs and NPAs that if the medical documentation or IEE forms are found to be inadequate during the RRAV, it is assumed this documentation was inadequate for all prior quarters of the FY (i.e., there is no cure period). Therefore, for affected employees, the NPA must back out their hours previously reported as direct labor for all prior quarters of the FY. Once the deficiencies are

corrected, the NPA can begin to report the employee's hours as direct labor on a prospective basis. Also, SA officials informed us that they have received feedback from NPAs that the timing of an RRAV can now impact the effect of non-compliance on the NPA's ODLH ratio.

- Further, SA officials advised us that implementation guidance from the Commission continues to evolve. For example, they told us that for nine NPAs found to have deficiencies in medical documentation and/or IEEs in the first quarter of FY 2022, the Commission OCD staff required that the NPAs adjust direct labor hours for all of FY 2021 (i.e., since the current FY 2022 quarter had not been completed). The Commission also requested the NPAs revise their FY 2021 AR&C and SA provide an updated AR&C data extract for these NPAs.

- **New IEE Policy Delayed:** Policy 51.405, *Individual Eligibility Evaluation (IEE) Documentation*, has been identified as "coming soon" on the Commission's website for over two years.

As shown in Figure 5 below, the top categories of non-compliance findings are medical documentation or IEE forms based on RRAV's conducted by NIB and SA during FY 2019-2021. In its Annual Regulatory Review Analysis NIB reports the number of NPAs with issues identified in specific categories while SA uses a tiered approach (three tiers in total) to report the frequency of non-compliance. Tier 1 is the highest frequency of non-compliance. Commission staff as well as NIB and SA officials told us that high turnover in NPA staff responsible for employee files is a contributing factor to the continued non-compliance in these two categories.

Figure 5: Summary of Top Categories of NPA Non-Compliance for FY 2019-2021

CNA/Compliance Category	FY 2019	FY 2020	FY 2021
NIB:			
Eye medical	17 of 59 NPAs 29%	16 of 57 NPAs 28%	12 of 57 NPAs 21%
Placement program	6 of 59 NPAs 10%	Not significant to report	Not significant to report
IEE forms	5 of 59 NPAs 8%	Not significant to report	9 of 57 NPAs 16%
SA:			
IEE forms	Tier 1	Tier 1	Tier 1

Source: CLA analysis of NIB and SA Annual Regulatory Review Analysis for FY 2019-2021.

FINDING 1B: STAFF PROCEDURES FOR REVIEWING COMPLIANCE TRANSACTIONS AND REPORTS ARE NOT DOCUMENTED

The Commission does not have comprehensive written standard operating procedures for the specific procedures it requires staff to perform when reviewing (1) compliance transaction packages CNAs submit to PLIMS; (2) compliance transactions CNAs submit manually via email; and (3) compliance reports CNAs are required to provide the Commission under the Cooperative Agreements. This is inconsistent with the *Green Book*[15] for implementing control activities by providing personnel with adequate documentation of responsibilities through policies and procedures to ensure compliance and review of control activities when changes occur.

Commission staff told us that they have not formally documented these procedures because of resource constraints. For example, in 2020 three of the five OCD staff, including the Director, left the Commission. A new Director, OCD was subsequently selected effective December 1, 2020 (initially as acting director). Since that date, the OCD was operating with only three staff until three new employees were hired between June and August 2021.

Also, given the small size of the OCD staff, having adequate documentation also provides a means to retain organizational knowledge, mitigate the risk of having that knowledge limited to a few personnel, and enables knowledge sharing – a principle of succession planning. Further, this is inconsistent with the *Green Book*[16] for documenting internal control activities and transactions. Therefore, because of the lack of documentation, there is a risk that the Commission could lose valuable historical knowledge if there is any staff turnover.

The Commission OCD staff sign-off in PLIMS to document their review and approval of compliance transactions and sometimes add brief comments. Figure 6 below provides a summary of the PLIMS compliance transaction types. Each compliance transaction package requires two levels of review. Only the Director, OCD and the Compliance Manager can sign-off on the second level of review. However, these individuals can sign-off on both levels of review. This represents a lack of segregation of duties which is inconsistent with the *Green Book*[17] for designing appropriate types of control activities to reduce the risk of error. Further, for certain transactions, the General Counsel's office must also review and sign-off in PLIMS. This includes all New NPA Request (NNR) and any NPA Update (NU) transactions that include updates to NPA governing documents (e.g., articles of incorporation and by-laws).

[15] See principle 12 in the Green Book.
[16] See principles 3, 4, and 10 in the Green Book.
[17] See principle 10 in the Green Book.

Figure 6: PLIMS Compliance Transaction Types

Transaction Type Code	Transaction Type Description
CVR	Compliance Visit Report
NNR[18]	New NPA Request
NU[18]	NPA Info Update
PIR	Phase In Reports

Source: PLIMS Transaction type listing provided by the AbilityOne Commission.

The lack of comprehensive written procedures for reviewing PLIMS compliance transactions increases the risk of errors, key steps not being performed by staff, and inconsistencies in application of policies. For example, we obtained the PLIMS FY Compliance Visits reports for FY 2019-2021, which summarize key data from CVR transactions for CNA RRAV's completed. This includes Yes (Y), No (N), or Not Applicable (N/A) responses to the 11 individual compliance categories as well as the overall compliance assessment tracked in PLIMS. We selected a total of 103 transactions (49 for NIB and 54 for SA) for testing focusing on anomalies (e.g., overall compliance assessment was "Y" but there were one or more "N" responses to individual compliance categories). Figure 7 presents the types of errors we found that were not identified by OCD staff during their review. Further, we found that OCD staff documentation of results of their review in PLIMS was cursory and could be improved to better document any apparent inconsistencies in responses to compliance categories.

[18] For SourceAmerica, this is submitted under the NPAM (NPA Maintenance) master transaction code.

Figure 7: Examples of Errors Commission OCD Staff Did Not Identify in Review

Issue Type/Description	Number of Errors for NIB	Number of Errors for SA
Required supporting documentation per CNA's NPA Oversight Protocol missing – RRAV Summary Memo not submitted to PLIMS.	-	1
Corrective action by NPA should have been required by CNA – Per Trip Report, 10 of 120 employee files selected for testing were not available at time of RRAV and therefore, IEE forms could not be reviewed.	1	-
CNA data entry error – Incorrect response to individual compliance category	12	14
CNA data entry error – Incorrect response to overall compliance assessment	9	2
Total Errors	**22**	**17**

Source: CLA review and analysis of PLIMS compliance transaction data and supporting documentation provided by the AbilityOne Commission, NIB, and SA.

In addition, the lack of comprehensive written procedures for reviewing, reconciling, and processing manual reports and transactions outside of PLIMS, increases the risk of key steps not being performed by OCD staff, policies not being followed, OCD staff not properly documenting their evaluation and decisions on whether and what compliance actions are needed, or records being lost. As shown in Figure 3 above, the Commission receives seven of the ten compliance reports from the CNAs in pdf format on a quarterly or annual basis. As a result, Commission OCD staff must manually reconcile these reports to information in PLIMS. Also, CNAs submit certain transactions (e.g., some phase-in and all surge[19] requests) for approval via email. Some examples of process issues or missing documentation we found during our review are as follows:

- **Reconciliation Procedures Not Performed:** Although Commission OCD staff told us they review the CNA's Annual Regulatory Review Analysis reports and reconcile RRAV data to PLIMS, our analysis showed there were errors for NIB for FY 2019-2021 that the Commission did not identify. Refer to Figure 8 for the types of errors we found. NIB officials confirmed these errors and told us that they have established new procedures to better track and close-out corrective actions.

[19] A surge requirement is notification by the contracting agency of the necessity to meet rapidly changing military or civilian delivery requirements above those stated in the contact. NPAs can request through their CNA a surge protection exemption from meeting the AbilityOne Program's 75% ODLH requirement to meet a contractual surge requirement.

Figure 8: Summary of Errors for NIB RRAVs Not Identified by Commission OCD Staff for FY 2019-2021

Description	FY 2019	FY 2020	FY 2021
Total RRAVs Completed by NIB	**59**	**44**	**57**
Type of Error			
NIB data entry error for visit date	3	2	1
No CVR for initial visit as required under Cooperative Agreement	2	-	3
No CVR for corrective action close-out as required under Cooperative Agreement	13	6	17
CVR rejected and no re-submission to PLIMS	-	2	-
Total Number of Errors	**18**	**10**	**21**

Source: CLA analysis of NIB Annual Regulatory Review Analysis for FY 2019-2021; PLIMS Compliance Visits reports and PLIMS data extracts for FY 2019-2021 provided by the AbilityOne Commission.

- **Commission Follow-up of Exceptions Reported Not Documented:** Although Commission OCD staff told us they review the CNA's Annual Regulatory Review Analysis reports and follow-up on exceptions reported, our review showed there was no written documentation of the Commission's evaluation and/or actions taken to resolve exceptions reported by SA for FY 2019-2021. Refer to Figure 9 for a summary of the types of exceptions reported related to required corrective actions by NPAs that were not completed. Further, this summary shows a negative trend regarding an increasing number of NPAs with open corrective actions under extension from FY 2019 to 2021.

Figure 9: Summary of Types of Exceptions Reported by SA for NPA Corrective Actions During FY 2019-2021

Description	FY 2019	FY 2020	FY 2021
Total RRAVs with Assigned Corrective Actions by NPAs	**188**	**119**	**156****
Type of Exception Reported			
NPAs with unresolved/non-responsive corrective actions	7	6	8
NPAs with open corrective actions under extension	1	17	36
Total Number of Exceptions	**8**	**23**	**44**

Source: SA Annual Regulatory Review Analysis for FY 2019-2021.

**Per SA, include 19 carryovers from FY 2020.

- **Supporting Documentation Not Maintained:** Commission OCD staff were unable to locate all the required supporting documentation submitted by the CNAs for the two phase-in and two surge transactions selected for testing.

FINDING 1C: DIFFERENCES IN PROTOCOLS FOR NPA VISITS IMPACT COMPARABILITY OF DATA IN PLIMS

Differences in the sampling methodologies the CNAs use to test certain key compliance areas during RRAVs impact the comparability of data they report to PLIMS and therefore, the Commission's ability to make informed decisions on compliance actions related to NPAs. This is inconsistent with the *Green Book*[20] which requires management to identify relevant information to make informed decisions, achieve their objectives and address risks. For example, NIB's NPA Oversight Protocol requires them to test 100% of AbilityOne and non-AbilityOne blind direct labor employee personnel files for medical documentation and IEE forms. However, SA's NPA Oversight Protocol requires them to use sampling tables to select the number of such disabled direct labor employee personnel files for testing. Therefore, NIB reports a "N" response to PLIMS if there is one deficiency in medical documentation or IEE forms while SA reports a "N" response only when the number of deficiencies exceeds the AQL per the sampling tables. The sampling tables establish a 10% AQL threshold.

[20] See principle 13 in the Green Book.

FINDING 2: GUIDANCE TO CNAS FOR SUBMITTING COMPLIANCE TRANSACTIONS TO PLIMS IS NOT SUFFICIENT RESULTING IN INCONSISTENCIES IN INFORMATION REPORTED AND MISSING DATA WHICH LIMITS USEFULNESS

The Commission has not provided specific instructions and requirements to the CNAs for submitting compliance transaction packages to PLIMS, which has resulted in inconsistencies in information reported and missing data that has impacted the usefulness of information available to the Commission to effectively monitor the Compliance Program. This is inconsistent with the *Green Book*[21] which requires management to continuously monitor control activities, evaluate effectiveness, and respond to issues identified.

As shown in Figure 6 above, there are four PLIMS compliance transaction types. CNAs submit transactions using their proprietary systems which then interface with PLIMS. NIB's proprietary system is Intermediate Systems (IS) and SA's system is Front Office Automation (FOA). Some examples of how the lack of Commission guidance has resulted in inconsistencies in data reported and missing data are described below. In some cases, the inconsistency arises because of the way data sent from the CNA's proprietary system is mapped to PLIMS data fields.

CVR (Compliance Visit Report)

As discussed previously, PLIMS tracks compliance with 11 individual categories and an overall compliance assessment for RRAVs. Lack of clear guidance from the Commission leaves room for interpretation and has led to inconsistencies in practice. Some of the errors noted in Figure 7 above can be attributed to this lack of clarity regarding the Commission OCD's expectations. Further, the Commission's final rule issued on July 21, 2022, that prohibits the payment of subminimum wages on contracts within the AbilityOne Program, will affect two compliance categories – Special Minimum Wage Certificate and Department of Labor (DOL) Commensurate Wages Adequate. This rule is effective October 19, 2022, but NPAs can request an extension of up to 12 months. Currently, NPAs who have a certificate issued by the DOL under section 14(c) of the FLSA are permitted to pay subminimum wages (i.e., wages less than the Federal minimum wage) to disabled employees on AbilityOne contracts.

There are four date fields available for the Commission OCD staff to track key dates related to the initial RRAV and, if the CNA requires the NPA to complete corrective actions, to track the response due date and close-out of corrective actions. Figure 10 below shows these dates, the Commission's expectation for completion, and each CNA's current practice. Because of the inconsistencies noted below, the Commission is unable to use PLIMS to effectively track and monitor timely submission of CVR transactions within ten business days (refer to Figure 3 above for further details) or close-out of required NPA corrective actions.

[21] See principles 16 and 17 in the Green Book.

Figure 10: CVR Date Fields – Commission Expectation vs. CNAs' Current Practices

Date Field	Commission Expectation	NIB Current Practice	SA Current Practice
Visit Date	RRAV date, but if spans more than one day, enter the last day.	Consistent with Commission expectation.	Enter both beginning and ending date of RRAV into FOA. Beginning date is mapped to this field in PLIMS.
Compliance Report Sent Date	Date the results of RRAV, including any required corrective actions, are sent to NPA.	Consistent with Commission expectation.	Consistent with Commission expectation.
Compliance Report Response Due Date	If corrective actions are required, due date for NPA to complete corrections. Complete when submit CVR for initial visit and update if due date is extended.	This is not a mandatory field in IS and is not consistently completed.	Consistent with Commission expectation.
Compliance Report Response Date	Date NPA provided CNA documentation corrective actions were completed. Complete when submit CVR for corrective action close-out.	This is not a mandatory field in IS and is not consistently completed.	Consistent with Commission expectation.

Source: CLA review of PLIMS transaction data and information provided by the AbilityOne Commission, NIB, and SA.

NNR (New NPA Request)
The volume of new NPAs is low with NIB submitting none and SA submitting ten NPAs for initial qualification during FY 2019-2021. For one new NPA, the Commission's OCD staff was unable to locate additional documentation requested by the Commission's General Counsel, which was the managing agreement between the related corporations that were a party to this transaction. SA officials provided evidence that SA requested this agreement from the NPA but were also unable to confirm it was received and sent to the Commission.

Further, the Commission's OCD staff was unable to provide written documentation of why the proposed structure of this transaction to transfer all existing AbilityOne contracts from the new NPA's parent company to them did not violate a provision in the Commission's Policy 51.402, *Initial Qualification of Nonprofit Agencies*. This provision states (emphasis added) "when an NPA's corporate structure includes one or more related corporations (parents, subsidiaries, or other closely related organizations), it is necessary to ensure that this structure is not a means to pass control to a for-profit corporation, or to avoid the overall annual 75 percent direct labor requirement." The express purpose of this transaction was to address the parent company's drop in their ODLH ratio below 75%. The Commission's OCD staff, and SA officials told us that because the NPA involved is a national corporation, the Commission's past practice has been to permit these types of transfers to affiliated chapters. However, the rationale for this practice has not been documented.

NU (NPA Info Update)
Commission OCD staff told us that the NU transaction code should be used by CNAs for demographic changes to NPA information (e.g., address, executives, etc.) and for updated NPA organizing legal documents (e.g., articles of incorporation, by-laws, etc.). As discussed above, the latter is required so that the transaction with the new legal documents can also be routed to the Commission's General Counsel for review and approval in PLIMS. NIB and SA officials told us that their understanding was that any updated legal documents should be submitted to the Commission as part of the NPA's AR&C. The AR&C is a pdf file that is maintained outside of PLIMS.

PIR (Phase-In Report)
The Commission OCD staff was unable to tell us when and how the PIR transaction code should be used by the CNAs. CNA officials confirmed the lack of clarity. NIB did not use this transaction code during FY 2019-2021. SA's use was low and has been declining with eleven PIR transactions submitted to PLIMS in FY 2019, seven in FY 2020, and one in FY 2021.

FINDING 3: PLIMS DOES NOT ADEQUATELY SUPPORT THE COMPLIANCE PROGRAM

PLIMS, a legacy application that is 14 years old, has not kept pace with the changing needs of the Commission OCD staff to provide relevant data and reports needed to inform their decision-making. Therefore, the use of manual reports and processes implemented creates inefficiencies, increases complexity, the risk of errors, and the risk that required compliance actions are not taken timely. This is contrary to the *Green Book*[22] on identifying information requirements, updating them in an iterative and

[22] See principles 11 and 13 in the Green Book.

ongoing process, obtaining data from reliable sources, and processing this data into quality information that supports the internal control system. The Commission told us that resource and budget constraints have impacted their ability to modify PLIMS to set up additional data fields and develop the necessary standard reports.

Mapping of Fields from CNA Proprietary System to PLIMS Has Not Been Reviewed and/or Updated
The Commission OCD staff are not aware of how data for CVR transaction packages transmitted by CNAs from their proprietary systems is mapped to data fields in PLIMS or when the last time this mapping was reviewed and/or updated. For example, they were not aware that while SA enters both the beginning and ending dates for RRAVs into their proprietary system, the beginning date is mapped to the Visit Date field in PLIMS when the Commission would prefer the ending date be mapped instead (refer to Figure 10 above). Also, the Commission OCD staff told us they were not aware that when CNAs enter an "N/A" response into their proprietary systems, this appears as a blank field in PLIMS and that reflecting "N/A" would be preferable.

Further, additional information is available from the CNAs' proprietary systems that is not uploaded to PLIMS as separate data fields and could provide the Commission with additional insights to better inform their decision making. Some examples are number of employees, number of personnel files reviewed, date of current articles of incorporation and by-laws, and further details of compliance categories tracked in PLIMS. An example of one of these compliance categories is "contract clauses adequate," which includes adherence to other federal contract requirements. When CNAs enter data into their proprietary systems, they enter not only a "Y," "N," or "N/A" response for this category overall but a separate response for each specific contract requirement. There are six requirements, each of which applies if certain dollar and/or employee thresholds are met, as follows:

- Affirmative Action Plan
- Affirmative Action Policy
- EEO-1 Form
- VETS-100A Form
- Drug-Free Workplace Policy
- Family & Medical Leave Policy

The above requirements are consistent with Policy 51.403, *Nonprofit Agencies Out of Compliance with Commission Regulations*, except as follows:

- VETS-100A Form was replaced with VETS-4212 Form, which became effective in October 2014. The CNAs' RRAV checklists include the updated form.
- Compliance with the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (VEVRAA) is missing. However, the CNAs test for compliance with VEVRAA as the NIB RRAV Checklist and SA NPA Oversight Protocol do include this requirement.

No Updates Made to PLIMS for Changes in Nature of Compliance Program
PLIMS has not been updated to keep pace with the Commission OCD's changing needs. For example, prior to the COVID-19 pandemic, all RRAVs were conducted on-site. However, starting in March 2020 CNAs began conducting RRAVs virtually, due to pandemic-related travel restrictions. While on-site reviews have commenced again, the Commission expects a hybrid approach going forward. PLIMS does not currently have a separate field for type of visit. The Commission OCD staff have instructed the CNAs to indicate the

type of review in the Executive Summary for CVR transaction packages. However, this practice does not allow the Commission to query this data for summary reporting purposes.

Many PLIMS Standard Compliance Reports are Outdated
Most of the seven standard PLIMS Compliance Reports are outdated as Commission OCD personnel do not regularly use them. Further, several reports do not appear to contain useful information and/or contain information that is inconsistent with the other reports. Commission OCD staff told us they use two reports, the FY Compliance Visits report discussed previously, and the NPA Extracts report, which includes pertinent details for all producing NPAs as of the prior September 30 fiscal year-end.

Manual Reports and Processes Not Integrated with Data in PLIMS
As shown in Figure 3 and discussed in Finding 1B above, key information needed to monitor the Compliance Program is provided by the CNAs outside of PLIMS, and the results of the Commission OCD staff's review, analysis, and approval is not integrated into PLIMS. The CNAs report details of compliance exceptions to the Commission in quarterly or annual reports in pdf format, and the level of detail varies between the CNAs. Also, the AR&Cs and documentation of Commission approved exemptions from the ODLH ratio requirement (i.e., due to phase-in, surge, COVID-19, etc.) are maintained outside of PLIMS. Further, there are two PLIMS screens that could potentially be used to document compliance findings and actions. Commission OCD staff told us there is an NPA Comments screen in PLIMS that is a free text field where staff can add comments but, once populated, cannot be deleted; however, it is used infrequently. The Commission OCD staff also told us there is an NPA Compliance Action screen in PLIMS that is currently not operational.

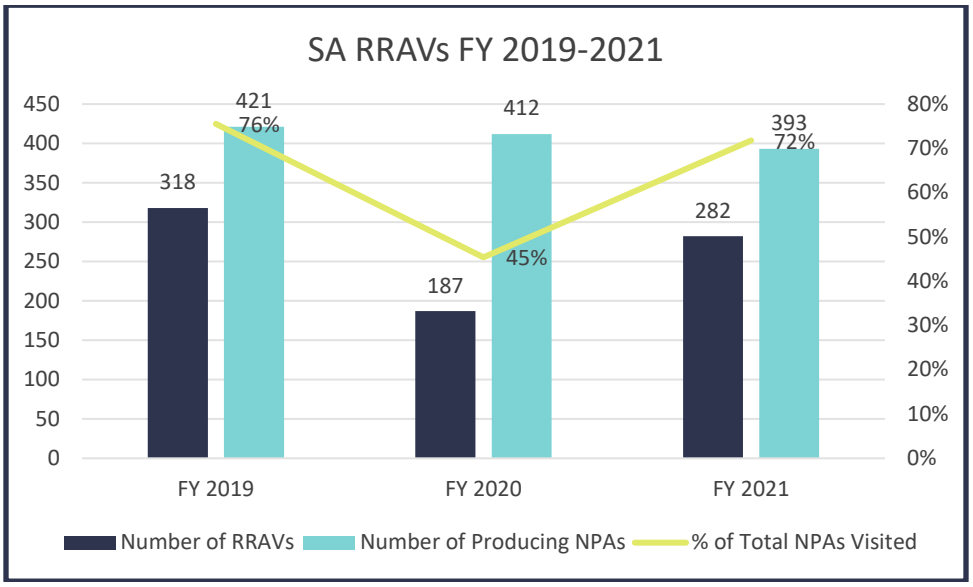
FINDING 4: COMMISSION PROCEDURES TO MONITOR THE COMPLIANCE PROGRAM ARE NOT SUFFICIENT WHICH REDUCES EFFECTIVENESS

As discussed previously, compliance visits to NPAs are one of the key controls the Commission OCD uses to monitor the NPAs' compliance with statutes, regulations, and Commission policies. The Commission conducted four compliance visits during FY 2019, none during FY 2020, and began conducting joint visits with the CNAs in late FY 2021. The Commission conducted six joint visits with NIB and eight with SA in FY 21. Prior to FY 2019, the Commission had not conducted any compliance visits since 2015. Therefore, the Commission relied heavily on the CNAs to conduct their RRAVs with NPAs.

Figures 11 and 12 below present the number of RRAVs conducted by SA and NIB, respectively, during FY 2019-2021 compared to the total number of producing NPAs affiliated with the CNA. Each year NIB typically visits all NPAs, whereas SA generally visits approximately 70% of their NPAs as detailed in their Fiscal Regulatory Review List report provided to the Commission's OCD. SA's approach is to visit the top 25 NPAs based on sales each year, targeted NPAs as directed by the Commission, and then rotate review of the remaining NPAs with the goal of visiting each NPA every two years.

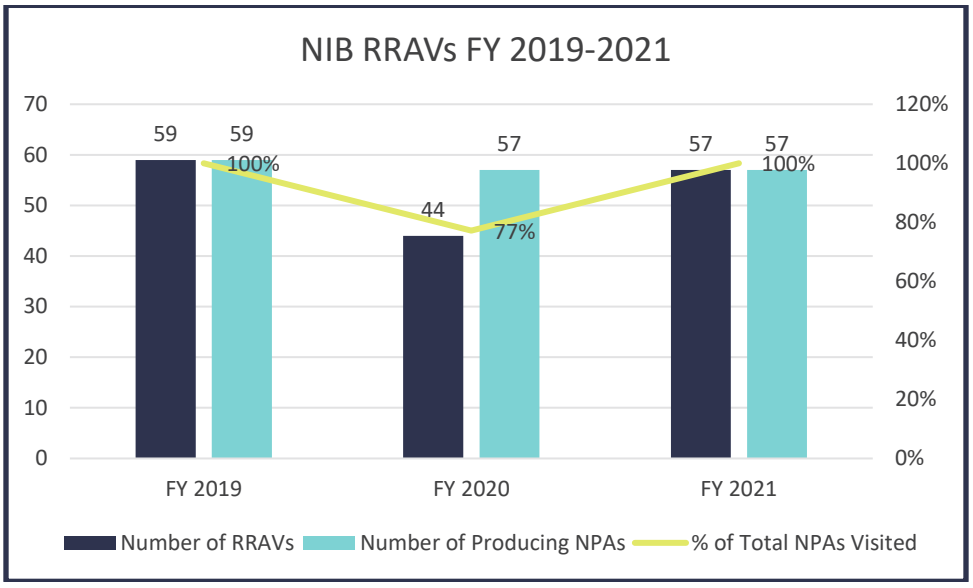
As Figures 11 and 12 show, there was a significant decrease in planned coverage for both CNAs during FY 2020 (45% for SA and 77% for NIB) due to the impact of the COVID-19 pandemic. As discussed above, another impact of the pandemic was that on-site reviews were replaced with virtual reviews from March 2020 through April 2021. While on-site reviews commenced again after that date, some were conducted virtually, and the Commission expects a hybrid approach going forward.

Figure 11: Summary of RRAVs Conducted by SA



Source: SA Annual Regulatory Review Analysis and End of Year AR&C Analysis for FY 2019-2021

Figure 12: Summary of RRAVs Conducted by NIB



Source: NIB Annual Regulatory Review Analysis and End of Year AR&C Analysis for FY 2019-2021

FINDING 4A: COMMISSION DOES NOT REQUEST SUFFICIENT INFORMATION FROM CNAS

The information the Commission's OCD requires each CNA to provide in two key compliance areas, RRAVs and the quarterly monitoring of the 75% ODLH requirement, is summary in nature, and the Commission does not request access to detailed information needed to independently verify the NPAs' compliance with statutes, regulations, and Commission policies. This increases the risk that the Commission does not properly and timely identify NPA noncompliance. This is inconsistent with the *Green Book*[23] which requires management to identify, analyze, and respond to risks, including the potential for fraud, to ensure the appropriate level of internal controls are in place. During FY 2019-2021 there were three civil fraud settlements[24] related to compliance with AbilityOne Program requirements.

For example, the CNAs are not required to provide access to any detailed documentation provided by NPAs that the CNAs use to perform the RRAV procedures (e.g., medical documentation, IEE forms, payroll records, etc.). The CNAs only report the results of procedures performed (i.e., "Y" or "N" responses to specified compliance categories), and if deficiencies are noted, the number of such errors in a category that require correction. Further, in the follow-up submission to PLIMS once the NPA completes any required corrective actions, the CNA must only report that appropriate corrective actions were completed.

Also, while the CNAs are required to report the NPAs that are below the 75% ODLH ratio in the quarterly report provided in pdf format, the underlying data is not provided. Without access to the underlying data, the Commission OCD staff cannot independently verify the results provided by the CNAs or easily monitor activity to identify negative trends from quarter to quarter (e.g., NPA reported for more than one quarter). The Commission has taken steps to address this issue in FY 2022. The Cooperative Agreement with NIB was modified in May 2022 to require them to provide a quarterly data extract of the AR&C data and any updates within five business days of the NPA making them. The Cooperative Agreement with SA was modified in April 2022 to require them to provide routine access to the AR&C data. Commission OCD staff told us that SA is providing a weekly data extract and that these new weekly or quarterly data extracts from the CNAs are not being uploaded to PLIMS.

FINDING 4B: THE COMMISSION'S LACK OF CONSISTENCY WITH NPA COMPLIANCE VISITS APPROACH REDUCES EFFECTIVENESS

The lack of a consistent approach between the CNAs for conducting RRAVs and the change in approach and lack of documentation for Commission compliance visits reduces effectiveness of this key control. This is inconsistent with the *Green Book*[25] which requires management to continuously monitor control activities, evaluate effectiveness, and respond to issues identified.

[23] See principles 7 and 8 in the Green Book.

[24] The three civil fraud settlements were with Memphis Goodwill Industries, Inc., Industries for the Blind and Visually Impaired Inc., and CW Resources Inc.

[25] See principles 16 and 17 in the Green Book.

Lack of Consistent Approach by CNAs for Conducting RRAVs
The RRAV Checklist used by NIB and SA differ, which creates a lack of consistency in how RRAVs are conducted. Also, under each CNA's NPA Oversight Protocol, the documentation that is required to be submitted to the Commission for CVR transactions differs as follows:

- **NIB:** Required documentation is a copy of the completed RRAV Checklist (i.e., trip report). Under NIB's protocol the reviewer also completes a Findings Summary & Acknowledgement form that summarizes the corrective actions the NPA is required to complete and must be signed by an NPA executive. However, this form is not required to be sent to the Commission.

- **SA:** Required documentation is a summary review memo with the deficiencies noted and corrective actions needed, and a spreadsheet with the AbilityOne individual project DLH ratios that were tested. In August 2021, the SA summary review memo was standardized and must now be signed by the SA reviewer and an NPA executive. Prior to this date, the format varied by reviewer and was not signed. While SA completed the RRAV Checklist, it is not required to be sent to the Commission.

Further, the Commission has a separate Compliance Review Checklist that also differs from the CNAs' RRAV Checklists. The Commission OCD staff told us that there is a project underway to harmonize all three checklists and create one compliance checklist that the CNAs and Commission will use, and to standardize the sampling methodology (refer to Finding 1C above).

Change in Approach and Lack of Documentation for Commission Compliance Visits
As discussed above, the Commission OCD staff began a new practice of solely performing joint reviews with the CNAs as opposed to conducting its own compliance visits to NPAs near the end of FY 2021. This practice continued in FY 2022, and the number of joint reviews increased substantially as shown in Figure 13 below. Commission OCD staff told us that because the Commission had not conducted compliance visits for over six years, the focus in FY 2022 was to maximize the number of NPAs visited.

Figure 13: Summary of Joint NPA Commission Compliance Visits and CNA RRAVs in FY 2022[26]

CNA	Total RRAVs To Date in FY 2022	Total Joint Reviews with Commission
NIB	57	10
SA	220	105

Source: CLA analysis of FY 2022 RRAVs provided by NIB and SA.

[26] FY to date through July 31, 2022 for NIB and June 30, 2022 for SA.

After the Compliance Manual was rescinded in the summer of 2020, the Commission no longer had any written standard operating procedures for the specific procedures it requires Commission OCD staff to perform when conducting an NPA compliance visit. As a result, when conducting the joint reviews with CNAs, Commission OCD staff told us they followed the NPA Oversight Protocol, including sampling methodologies for the respective CNA. In addition, they did not complete a separate RRAV Checklist or complete all procedures included in that checklist. Instead, the procedures performed varied based on the knowledge and background of the reviewer and time available based on the reviewer's schedule. Commission OCD staff told us that any findings by the Commission reviewer should have been provided to the CNA reviewer, incorporated into the CNA's report for submission to PLIMS, and any corrective actions tracked and closed by the CNA.

Because the Commission is no longer completing its own Compliance Review Checklist, there is no documentation of the procedures performed by the Commission OCD staff. Also, because the Commission reviewer may not be reviewing the CVR transaction package the CNA submits for its RRAV, there is also a risk that the Commission OCD staff's findings are not properly included in the CNA's report for follow-up corrective action. Further, because PLIMS only permits the CNA to enter one organization for "Visiting Organization," the Commission is unable to query PLIMS to determine which RRAVs were joint reviews. Starting in September 2021, the CNAs began providing the Commission's OCD a supplemental schedule in Excel of RRAVs completed that includes a column for Commission reviewer.

Also, because the Commission and CNAs have different roles and responsibilities (i.e., the Commission's role is to ensure and enforce NPAs' compliance and the CNAs' primary role is to train, educate, and assist their NPAs in meeting applicable statutes, regulations, and policies), and the Commission review procedures vary, CNA officials told us that the joint reviews have created some confusion with NPAs. While the Commission directs the CNAs to conduct the RRAVs and, under the authority delegated to the CNA by the Commission[27], require NPAs to complete corrective actions for compliance deficiencies identified, the Commission's OCD is responsible for evaluating the results of the RRAVs and solely determining whether to impose sanctions when NPAs are out of compliance. Further, due to the lack of clarity in some Commission policies (see Finding 1A above), some NPAs have asked about a formal appeals or rebuttal process for Commission findings.

[27] See 41 CFR 51-3.2(b).

Conclusions and Recommendations

Overall, we concluded that the Commission's policies and procedures governing the management and administration of the Compliance Program comply with applicable laws and regulations. Further, the Commission has taken steps to improve the transparency of its policies and procedures by updating five existing policies, issuing three new policies, and developing compliance FAQs in FY 2020.

However, the Commission has several opportunities to improve the effectiveness of its policies, procedures, and practices when managing the Compliance Program by updating its guidance, improving documentation of procedures and maintenance of records, better management of data needs in PLIMS, and additional oversight. While eight compliance policies have been updated or issued in the last five years, the remaining seven policies were older, including four compliance policies which are more than nine years old. The age of the policies can create inconsistencies that can be confusing. Moreover, one updated policy is incomplete, and certain key provisions have not been implemented. We also found that the rescinding of the Compliance Manual, updates to the Commission's policy on direct labor ratio requirements, and the delay in issuance of a new policy has contributed to a lack of clarity for NPAs in two key compliance areas – medical documentation and IEE forms. While the compliance FAQs contain some implementation guidance, they are not comprehensive or organized by compliance area to sufficiently bridge the gap between policy and practice and, therefore, a new compliance manual would be beneficial in this respect.

There are also several opportunities for the Commission to improve documentation of procedures and maintenance of records to strengthen controls and reduce errors and inconsistencies. This includes procedures the Commission requires staff to perform when reviewing compliance transaction packages CNAs submit to PLIMS and compliance transactions and reports CNAs submit manually to the Commission. The Commission also needs to develop specific instructions and requirements to the CNAs for submitting compliance transaction packages to PLIMS.

Further, PLIMS has not kept pace with the changing needs of the Commission OCD staff to provide relevant data and reports needed to inform their decision-making. The Commission has not reviewed how data from the CNA proprietary systems is mapped to data fields in PLIMS or identified whether updates are needed to PLIMS data fields or standard reports, including establishing a timeline for implementation. Taking these steps could strengthen controls by improving the quality of data in PLIMS to better inform decision-making and reducing reliance on manual reports and processes.

Lastly, we identified several opportunities for improvement related to the Commission's procedures and oversight to monitor CNA and NPA compliance with statutes, regulations, and Commission policies. We found that the information the Commission requires each CNA to provide in two key compliance areas, RRAVs and the quarterly monitoring of the 75% ODLH requirement, is summary in nature. Using a risk-based approach, the Commission should request access to and review detailed information needed to independently verify the NPAs' compliance with statutes, regulations, and Commission policies. Further, the lack of a consistent approach between the CNAs for conducting RRAVs and the change in approach and lack of documentation for Commission compliance visits reduces effectiveness of this key control. The Commission should standardize the procedures and methodologies used by the CNAs to conduct RRAVs

and the Commission OCD staff to conduct compliance visits to improve the comparability of data reported in PLIMS. The Commission should also develop written procedures for the specific procedures Commission OCD staff must perform when conducting an NPA compliance visit including documentation requirements and additional considerations for joint visits with the CNAs.

Based on our conclusions, we recommend that the Commission take the following actions to improve its controls over the Compliance Program, consistent with the *Green Book*:

1. In accordance with Policy 51.101, review and update all compliance policies, including determining whether updates are needed to improve clarity, remove inconsistencies, and ensure harmonization with the Cooperative Agreements. (Finding 1A)

2. Update Policy 51.403, *Nonprofit Agencies Out of Compliance with Commission Regulations*, including determining whether the risk model should be revised and ensuring procedural guidance, including documentation requirements, is complete and sufficient to implement the policy. (Finding 1A)

3. Complete and issue new Policy 51.405, *Individual Eligibility Evaluation (IEE) Documentation*. (Finding 1A)

4. Develop a compliance manual with implementation guidance organized by compliance area that will serve as a reference guide for CNAs and NPAs to help them better understand the Program's requirements and the Commission's documentation standards. (Finding 1A)

5. Develop comprehensive written documentation of the procedures to be performed by Commission staff for reviewing, evaluating, and approving or rejecting compliance transaction packages CNAs submit to PLIMS. The procedures should include roles and responsibilities with an appropriate segregation of duties and documentation requirements in PLIMS. (Finding 1B) For CVR transactions, also incorporate the following:
    a. OCD staff protocols and requirements for requesting access to detailed supporting documentation provided by the NPAs to the CNAs to independently verify NPA compliance with statutes, regulations, and Commission policies. The protocols should take into consideration identified risks such as NPA past performance, overall trends in compliance deficiencies, external factors such as civil settlements, and the Commission's plan for conducting compliance visits to NPAs during the FY. (Finding 4A)
    b. OCD staff documentation requirements in PLIMS including any follow-up with the CNA for discrepancies between the Commission's results and the CNA's reported results. (Finding 4A)

6. Develop comprehensive written documentation of the procedures to be performed by Commission OCD staff for reviewing, reconciling, and processing manual compliance reports and transactions submitted by the CNAs and/or NPAs outside of PLIMS (Finding 1B). The procedures should also include the following:
    a. Roles and responsibilities with an appropriate segregation of duties. (Finding 1B)
    b. Follow-up on compliance exceptions reported. (Finding 1B)
    c. Reconciliation of manual data to PLIMS. (Finding 1B)
    d. Review of quarterly and annual AR&C extracts, including data supporting the NPA's 75% ODLH requirement. (Findings 1B and 4A)
    e. Documentation requirements, including the use and frequency of PLIMS reports and summarizing compliance findings and actions, preferably in PLIMS. Evaluate the feasibility of using the NPA Comments and/or NPA Compliance Action screens in PLIMS. (Findings 1B and 3)
    f. Maintenance of records. (Finding 1B)

7. Review each CNA's NPA Oversight Protocol for conducting RRAVs and update to improve comparability of data provided and reported to the Commission as follows:
    a. Standardize the sampling methodology used by the CNAs and the Commission to test certain key compliance areas during RRAVs such that comparable data is reported to PLIMS for NPA compliance deficiencies. (Finding 1C)
    b. Harmonize the CNAs' RRAV Checklists and the Commission's Compliance Review Checklist such that the procedures performed are consistent. (Finding 4B)
    c. Standardize the methodology for aggregating and reporting summarized results of compliance deficiencies for the FY in the End of Year AR&C Analysis. (Finding 1A)
    d. Standardize the documentation the CNAs are required to submit to the Commission for CVR transactions. (Finding 4B)

8. Develop a PLIMS Manual for all four compliance transaction types that includes when each transaction type should be used, detailed guidance for each data field or question, and documentation requirements. (Finding 2)

9. Identify updates needed for CVR transaction data reported in PLIMS as follows:
    a. Review the information available from each CNA's proprietary system for CVR transaction packages, determine the current mapping of data fields to PLIMS, and identify whether any updates are needed to improve clarity or correct inconsistencies between CNAs. (Finding 3)
    b. Evaluate whether any new data fields should be added to PLIMS to provide the Commission with additional insights to better inform decision making. (Finding 3)
    c. Determine whether any updates are needed to the eleven (11) individual compliance categories to improve clarity or respond to changes in regulations. (Finding 2)
    d. Prioritize identified updates and establish a timeline for implementation.

10. Review the seven standard PLIMS compliance reports, determine the source of data included, and evaluate whether any updates are needed or if the report should be discontinued. Determine whether any new reports should be created. Prioritize identified updates to existing reports and/or new reports and establish a timeline for implementation. (Finding 3)

11. Develop written standard operating procedures for the specific procedures it requires Commission OCD staff to perform when conducting an NPA compliance visit including the documentation requirements and reporting to PLIMS (Finding 4B). The procedures should also include the following related to joint visits with the CNA:
    a. The rationale and factors to be considered in making the decision to conduct a joint visit with the CNA versus a stand-alone visit to the NPA as well as the scope of the review. (Finding 4B)
    b. Develop a protocol for communicating the roles and responsibilities of the Commission and CNA reviewers to the NPA including the scope of the Commission's review and coordination with the CNA. (Finding 4B)
    c. Determine the format of the Commission reviewer's separate written documentation of procedures he/she performed and results, including findings requiring corrective action by the NPA. This should include timely transmission of this documentation to the CNA for submission with the CNA's CVR transaction to PLIMS and the process to ensure the CNA tracks and closes-out any required corrective actions. (Finding 4B)
    d. Determine whether to implement a formal appeals process that would be available to NPAs to assist in resolving disputes with Commission findings. (Finding 4B)

Evaluation of Management Comments

In commenting on a draft of this report, the Executive Director of the Commission and the Chair, Policy and Regulations Subcommittee, concurred with all 11 of our recommendations. However, in reviewing management's response and corrective action plans (CAPs), we noted that management "concurred with modification" for 7 recommendations. Management cited planned changes to: (1) the Compliance Program policies to align with the Commission's new Strategic Plan direction; (2) the Cooperative Agreements with the CNAs; (3) Compliance Program practices and procedures; and (4) the upgrade/modernization of PLIMS. We have the following observations:

- **Recommendation 4 / Finding 1A:** The CAP states that the Commission will issue a manual that compiles all compliance policies and that the CNAs may wish to develop a more detailed compliance manual for the NPAs, subject to Commission approval. However, the intent of the recommendation is for the Commission to develop a compliance manual with implementation guidance. The CAP appears to state management's intention to delegate this responsibility to the CNAs at their discretion.

- **Recommendation 5 / Findings 1B and 4A:** The CAP discusses planned procedural changes and addresses part of the recommendation in 5A to have compliance data collected by the CNAs for CVR transactions available to the Commission for review and independent analysis. However, the CAP does not specifically state management's plan to address the primary intent of the finding/recommendation, which is to develop comprehensive written documentation of procedures to be performed by Commission staff in reviewing, evaluating, and approving or rejecting compliance transaction packages CNAs submit to PLIMS.

- **Recommendation 6 / Findings 1B, 3, and 4A:** The CAP discusses planned changes to processes for receiving reports and data from the CNAs to create efficiencies and reduce manual-intensive business processes. However, the CAP does not specifically state management's plan to address the primary intent of the finding/recommendation which is to develop comprehensive written documentation of the procedures to be performed by Commission OCD staff for reviewing, reconciling, and processing the reports and data received from CNAs or NPAs outside of transactions submitted to PLIMS.

- **Recommendation 8 / Finding 2:** The CAP states that due to the planned upgrades to PLIMS the utility of a compliance (i.e., PLIMS) manual based on the current system is questionable and that planned changes to the Cooperative Agreements would address the finding/recommendation. However, management stated that the PLIMS upgrades are not targeted for completion until 2025 and the Cooperative Agreements have not historically contained sufficiently detailed guidance at the PLIMS transaction level.

- **Recommendation 9 / Findings 2 and 3:** The CAP refers to management's response to Recommendation 8 and planned updates to the Cooperative Agreements. However, it is unclear how updates to the Cooperative Agreements could address this recommendation related to CVR

transaction data reported in PLIMS (i.e., review mapping from CNA proprietary systems, and whether the Commission should add new data fields or make updates to compliance categories).

- **Recommendation 11 / Finding 4B:** The CAP addresses part of the recommendation in 11D and discusses planned procedural changes which will make 11A-C no longer relevant. However, the CAP does not specifically state management's plan to address the primary intent of the finding/recommendation, which is to develop written standard operating procedures for the specific procedures it requires Commission OCD staff to perform when conducting an NPA compliance visit (i.e., termed targeted reviews under the new approach outlined in the CAP) including the documentation requirements and reporting to PLIMS.

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 August 2021 – August 2022. 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 determine whether the Compliance Program, as implemented by the Commission and CNAs, is effectively providing reasonable assurance of NPA and CNA compliance with applicable laws, regulations, and policies. Our scope included assessing the effectiveness of the policies, procedures, and practices employed by the Commission when managing the Compliance Program. The audit also assessed how PLIMS supports the Compliance Program. We reviewed all relevant PLIMS compliance transaction data and reports during FY 2019, 2020, and 2021. We also reviewed compliance reports submitted by the CNAs to the Commission outside of PLIMS for 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:

- Assessed the extent to which the Commission's policies and procedures comply with applicable laws and regulations. We did this by identifying the provisions related to the Compliance Program in the JWOD Act and AbilityOne Program regulations and summarizing them by major process step (approving NPA for initial qualification and maintaining NPA qualification). We then compared these provisions to the Commission's policies and procedures that implemented these requirements. We also reviewed the Commission's Cooperative Agreements with the CNAs for sections related to the Compliance Program to assess whether there were any inconsistences with the Commission policies.

- We reviewed the internal controls the Commission had in place for managing and overseeing the Compliance Program. This included determining whether the Commission has provided sufficient guidance to the CNAs regarding their delegated responsibilities under the Compliance Program and compliance transaction packages submitted to PLIMS include all required documentation. Specifically, we determined that all five components of Standards for Internal Control in the Federal Government were significant to our audit objective: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. We developed our audit plan to assess each of these control areas in determining how effectively the Commission managed the Compliance Program.

- Obtained and analyzed compliance data and reports used by the Commission to monitor and evaluate the effectiveness of the Compliance Program for FY 2019, 2020, and 2021. To validate

the reliability of the data we received, we obtained the complete population of the Commission's PL transaction data for FY 2019, 2020, and 2021. We then performed a test of completeness of the PL transaction data by accounting for the numerical sequence of the transaction identification numbers; obtained missing transactions and explanation for gaps from the Commission. We used the PL transaction data and other information provided by the Commission to validate the relevant compliance reports from the CNAs for these periods. We determined that the data provided were sufficiently reliable for the purposes of our audit. We also performed tests of compliance transactions during FY 2019, 2020, and 2021 considering the volume of activity and assessed risk and examined supporting documentation for testing.

- Determined the concerns the Commission and CNAs have with the Compliance Program and how PLIMS supports it as well as what potential improvements they would recommend.

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
51.401	Direct Labor Hour Ratio Requirements	08-15-2020
51.401-01	Phase-in Procedures	03-22-2013
51.401-02	Surge Requirements Procedure	10-17-2012
51.402	Initial Qualification of NPAs	03-22-2013
51.403	NPAs Out of Compliance with Commission Regulations	11-12-2020
51.404	On-Site Compliance Reviews	03-22-2013
51.406	Equal Employment Opportunity for People with Disabilities at AbilityOne-Participating NPAs	08-15-2020
51.407	Disability Documentation Requirements-People who are Blind	08-15-2020
51.408	Disability Documentation Requirements-People with Significant Disabilities	08-15-2020
51.409	Maintaining Qualification of NPAs	08-15-2020
51.410	Processing Complaints by Employees of NPAs Performing Work on Contracts Under the AbilityOne Program	11-12-2020

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

Appendix C: List of Abbreviations

Abbreviation	Definition
AQL	Acceptance Quality Limits
AR&C	Annual Representations and Certifications
CNA	Central Nonprofit Agency
CVR	Compliance Visit Report
DBA	Davis Bacon Act
DLH	Direct Labor Hour
DOL	Department of Labor
FAQ	Frequently Asked Questions
FLSA	Fair Labor Standards Act
FOA	Front Office Automation
FY	Fiscal Year
IEE	Independent Employee Evaluation
IS	Intermediate System
JWOD	Javits-Wagner-O'Day
NIB	National Industries for the Blind
NNR	New NPA Request
NPA	Nonprofit Agency
NPAM	NPA Maintenance (Master)
NU	NPA Info Update
OCD	Oversight and Compliance Directorate
ODLH	Overall Direct Labor Hour

Abbreviation	Definition
PIR	Phase-In Report
PLIMS	Procurement List Information Management System
QDR	Quarterly Data Report
QER	Quarterly Employment Report
RRAV	Regulatory Review and Assistance Visit
SA	SourceAmerica
SCA	Services Contract Act
TAV	Technical Assistance Visit
VEVRAA	Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended

Appendix D: Management Comments

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

December 12, 2022

VIA EMAIL

MEMORANDUM FOR THE INSPECTOR GENERAL

FROM: Kimberly M. Zeich, Executive Director

Chai R. Feldblum, Chair, Policy and Regulations Subcommittee

SUBJECT: Management Response to Performance Audit of the AbilityOne Compliance Program

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 Office of Inspector General (OIG) Performance Audit of the AbilityOne Compliance Program.

We appreciate that the audit team identified many of the issues we identified and addressed in the Commission's FY 2022-2026 Strategic Plan, released on June 30, 2022. Having an outside perspective and third-party verification of the need to change how we manage and oversee the compliance function is very helpful as we move forward.

The Commission generally concurs with the recommendations. At the same time, 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 that reason, we may have a modified approach to some of the mutually agreed upon deficiencies if the specific recommendations from the auditors are based on an approach that will no longer be used.

To bring our policies in line with the Strategic Plan direction, the Commission initiated an update of its nonprofit agency compliance policies in November 2022. This update is proceeding in two stages. The first stage includes updating or issuing new policies with regard to an overall compliance approach (revised 51.400); updated qualification requirements (revised entry requirements in 51.401 and qualification requirements to remain in the Program in 51.402); documentation of disability (merging 51.407 and 51.408 into a new 51.403 policy and streamlining requirements by accepting third-party government certifications to document a qualifying disability); updating its direct labor hour guidance (revised 51.404); setting forth expectations regarding job customization, person-centered employment plans, and placement programs (a new 51.405 policy); and updating guidance for compliance reviews and corrective action (revised 51.406). The target date for issuing these policies is February 2023. In a second stage, the Commission will review the remaining policies in the 51-400 series, with a target date for issuing the remaining policies in April 2023.

The Commission is pleased that it has received funding from the Technology Modernization Fund to address the long-standing and well-documented need for an updated information management system that better supports its compliance program. The Commission will award a contract during FY 2023 for the development and deployment of a modernized system, with completion projected in 2025. However, as noted below, some changes in the electronic communication of data will be instituted earlier.

We hope that the final recommendations, as well as the process for monitoring implementation, will reflect the Commission's updated compliance approach, taking into consideration the modified description of the recommendations as set out below.

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

Detailed Responses to Performance Audit Recommendations:

Audit Recommendation #1: In accordance with Policy 51.101, review and update all compliance policies, including determining whether updates are needed to improve clarity, remove inconsistencies, and ensure harmonization with the Cooperative Agreements. (Finding 1A)

Commission Response: Concur. (Target Dates of February 2023 and April 2023) - The Commission is in the process of updating several compliance policies. The general compliance policy (51.400) will be significantly updated to reflect new responsibilities for the Commission and the CNAs, and conforming changes will be made to other policies. The Commission will develop updated Cooperative Agreements with the CNAs that align with the new policies. The target date for the updated Cooperative Agreements is April 2023.

Audit Recommendation #2: Update Policy 51.403, Nonprofit Agencies Out of Compliance with Commission Regulations, including determining whether the risk model should be revised and ensuring procedural guidance, including documentation requirements, is complete and sufficient to implement the policy. (Finding 1A)

Commission Response: Concur. (Target Date of February 2023) - The Commission will update the current 51.403 policy (expected to be renumbered) to include the new program expectations, a revised risk model (if appropriate) and complete and clear procedural guidance. This is consistent with the Commission's commitment to transparency and clarifying the requirements for AbilityOne Program participants, as set forth in its FY 2022-2026 Strategic Plan.

Audit Recommendation #3: Complete and issue new Policy 51.405, Individual Eligibility Evaluation (IEE) Documentation. (Finding 1A)

Commission Response: Concur, with modification. (Target Dates of February 2023 and April 2023) - The Commission is revising policies 51.407 and 51.408 regarding documentation of blindness and significant disability, with a target issuance date of February 2023. Based on those new policies, and the new Cooperative Agreements with the CNAs that will align with such policies, the Commission and the CNAs will jointly consider the appropriate format for participating NPAs to use with regard to documentation of individual eligibility based on a qualifying disability. That format will replace the current IEE.

Audit Recommendation #4: Develop a compliance manual with implementation guidance organized by the compliance area that will serve as a reference guide for CNAs and NPAs to help them better understand the Program's requirements and the Commission's documentation standards. (Finding 1A)

Commission Response: Concur. (Target Date of April 2023) – Once the compliance policies are updated, the Commission expects to issue one document that compiles all the policies into a comprehensive manual. This approach will allow the CNAs and NPAs to download one document, as

well as discrete policies as needed. In light of the revised responsibilities between the Commission and the CNAs, the Commission expects the CNAs may wish to develop a more detailed compliance manual for the NPAs. Such a manual will be subject to Commission approval.

Audit Recommendation #5: Develop comprehensive written documentation of the procedures to be performed by Commission staff for reviewing, evaluating, and approving or rejecting compliance transaction packages CNAs submit to PLIMS. The procedures should include roles and responsibilities with appropriate segregation of duties and documentation requirements in PLIMS. (Finding 1B)

For CVR [Compliance Visit Report] transactions, also incorporate the following:

A. OCD staff protocols and requirements for requesting access to detailed supporting documentation provided by the NPAs to the CNAs to independently verify NPA compliance with statutes, regulations, and Commission policies. The protocols should take into consideration identified risks such as NPA past performance, overall trends in compliance deficiencies, external factors such as civil settlements, and the Commission's plan for conducting compliance visits to NPAs during the FY. (Finding 4A)
B. OCD staff documentation requirements in PLIMS including any follow-up with the CNA for discrepancies between the Commission's results and the CNA's reported results. (Finding 4A)

Commission Response: Concur with a modification regarding Commission visits. (Target Date of April 2023) - Based on the revised responsibilities between the Commission and the CNAs, the Commission will devote its resources to monitoring the corrective actions reported by the CNAs and conducting targeted visits of select NPAs only where appropriate. The other elements in the recommendation will be incorporated into the revised responsibilities of the Commission and the CNAs. At a minimum, the compliance data collected by the CNAs will be available to the Commission for review and independent analysis through an easily accessible electronic system. The modernization of the PLIMS platform will greatly assist in this effort.

Audit Recommendation #6: Develop comprehensive written documentation of the procedures to be performed by Commission OCD staff for reviewing, reconciling, and processing manual compliance reports and transactions submitted by the CNAs and/or NPAs outside of PLIMS (Finding 1B). The procedures should also include the following:

A. Roles and responsibilities with an appropriate segregation of duties. (Finding 1B)
B. Follow-up on compliance exceptions reported. (Finding 1B)
C. Reconciliation of manual data to PLIMS. (Finding 1B)
D. Review of quarterly and annual AR&C extracts, including data supporting the NPA's 75% ODLH requirement. (Findings 1B and 4A)
E. Documentation requirements, including the use and frequency of PLIMS reports and summarizing compliance findings and actions, preferably in PLIMS. Evaluate the feasibility of using the NPA Comments and/or NPA Compliance Action screens in PLIMS. (Findings 1B and 3)
F. Maintenance of records. (Finding 1B)

Commission Response: Concur with modifications. (Target Date of December 31, 2024) - Based on the updated policies, the Commission expects to significantly revise its processes for receiving reports and data from the CNAs and its review of an NPA's compliance with the Commission's requirements. In addition, based on those policies, the Commission anticipates that the AR&C reports may be modified.

The new Cooperative Agreements with the CNAs will address the electronic transmission of data that will respond to the deficiencies identified in the audit report. This will reduce redundancy in data entry, storage, and processing, and will create efficiencies by reducing manual-intensive business processes.

Audit Recommendation #7: Review each CNA's NPA Oversight Protocol for conducting RRAVs and update to improve comparability of data provided and reported to the Commission as follows:

A. Standardize the sampling methodology used by the CNAs and the Commission to test certain key compliance areas during RRAVs such that comparable data is reported to PLIMS for NPA compliance deficiencies. (Finding 1C)
B. Harmonize the CNAs' RRAV Checklists and the Commission's Compliance Review Checklist such that the procedures performed are consistent. (Finding 4B)
C. Standardize the methodology for aggregating and reporting summarized results of compliance deficiencies for the FY in the End of Year AR&C Analysis. (Finding 1A)
D. Standardize the documentation the CNAs are required to submit to the Commission for CVR transactions. (Finding 4B)

Commission Response: Concur with modifications. (Target Date of April 30, 2023) - The desired outcomes identified by the report will form the basis for revised oversight protocols by the CNAs that align with the Commission's updated policies. The new allocation of responsibilities between the CNAs and the Commission, an updated AR&C form (or a comparable form) that will align with the new policies, and an enhanced electronic data system will address the recommendations of the report.

Audit Recommendation #8: Develop a PLIMS Manual for all four compliance transaction types that include when each transaction type should be used, detailed guidance for each data field or question, and documentation requirements. (Finding 2)

Commission Response: Concur, with modifications. (Target Date of April 30, 2023) - Based on the new policies, there will be a revised compliance system, processes and data collection. In addition, in light of the anticipated update of the PLIMS system, the utility of a compliance manual based on the current system is questionable. However, the concerns that underlie this recommendation will be addressed in the new Cooperative Agreements to ensure that the Commission provides the CNAs with clear guidance for the submission of compliance-related transactions and receives appropriate data in an electronic format that meets its compliance requirements. The deficiencies and needs outlined in the report will be very helpful to the Commission as it negotiates the relevant provisions of the Cooperative Agreements.

Audit Recommendation #9: Identify updates needed for CVR transaction data reported in PLIMS as follows:

A. Review the information available from each CNA's proprietary system for CVR transaction packages, determine the current mapping of data fields to PLIMS, and identify whether any updates are needed to improve clarity or correct inconsistencies between CNAs. (Finding 3)
B. Evaluate whether any new data fields should be added to PLIMS to provide the Commission with additional insights to better inform decision making. (Finding 3)
C. Determine whether any updates are needed to the eleven (11) individual compliance categories to improve clarity or respond to changes in regulations. (Finding 2)
D. Prioritize identified updates and establish a timeline for implementation.

Commission Response: Concur, with modifications. (Target Date of April 2023) - See response to Recommendation #8. The deficiencies and needs outlined in the report in this area will provide the foundation for developing the relevant provisions of the Cooperative Agreements.

Audit Recommendation #10: Review the seven standard PLIMS compliance reports, determine the source of data included, and evaluate whether any updates are needed or if the report should be discontinued. Determine whether any new reports should be created. Prioritize identified updates to existing reports and/or new reports and establish a timeline for implementation. (Finding 3)

Commission Response: Concur. (Target Date of April 2023) - Based on the Commission activities described above, the Commission expects to review all PLIMS compliance reports, determine the source of data included, evaluate whether any updates are needed or if the report should be discontinued, determine whether new reports should be created and establish a timeline for implementation.

Audit Recommendation #11: Develop written standard operating procedures for the specific procedures it requires Commission OCD staff to perform when conducting an NPA compliance visit including the documentation requirements and reporting to PLIMS (Finding 4B). The procedures should also include the following related to joint visits with the CNA:

A. The rationale and factors to be considered in making the decision to conduct a joint visit with the CNA versus a stand-alone visit to the NPA as well as the scope of the review. (Finding 4B)
B. Develop a protocol for communicating the roles and responsibilities of the Commission and CNA reviewers to the NPA including the scope of the Commission's review and coordination with the CNA. (Finding 4B)
C. Determine the format of the Commission reviewer's separate written documentation of procedures he/she performed and results, including findings requiring corrective action by the NPA. This should include timely transmission of this documentation to the CNA for submission with the CNA's CVR transaction to PLIMS and the process to ensure the CNA tracks and closes-out any required corrective actions. (Finding 4B)
D. Determine whether to implement a formal appeals process that would be available to NPAs to assist in resolving disputes with Commission findings. (Finding 4B)

Commission Response: Concur with regard to recommendation 11(D), with a target date of April 2023. Recommendations 11 (A-C) are moot in light of the Commission's new strategic approach to compliance. As noted above, the Commission intends to redirect its resources from conducting individual or joint NPA compliance inspections to strictly monitoring corrective action reports based on compliance reviews by the CNAs, followed by targeted reviews of select NPAs by the Commission, if needed. The Commission will develop and disseminate procedures for conducting targeted reviews so that NPAs understand the basis for such a visit.